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# REPORT ON TAXATION

BY

ADVISORY COMMITTEE ON  
TAXATION

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# REPORT ON TAXATION

BY

## ADVISORY COMMITTEE ON TAXATION

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EDMONTON, FEBRUARY 14, 1928

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1928





HONOURABLE R. G. REID,  
*Provincial Treasurer,*  
Government Buildings, Edmonton.

SIR,—

I have the honour to present herewith the Report on Taxation prepared under the general direction of your Advisory Committee on Taxation.

Your obedient servant,  
H. M. TORY,  
*Chairman.*

February 14th, 1928.





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## I.—INTRODUCTION.

On the authority of a communication from the Honourable, the Provincial Treasurer, dated April, 1926, the Advisory Committee on Taxation, consisting of H. M. Tory, Esq., President, University of Alberta, Chairman; A. A. Carpenter, Esq., Chairman, Board of Public Utility Commissioners; E. Pinchbeck, Esq., Secretary, Municipal Districts Association; A. T. Stephenson, Esq., City Commissioner, Red Deer; and A. H. Tovell, Esq., Manager, Hail Insurance Board, met on May 10th for the purpose of considering the Terms of Reference, and to decide upon methods of conducting the investigation.

Under the Terms of Reference the Commission was requested to enquire into the following subjects:

- (A) The equalization of the burden of taxation.
- (B) Improved methods of collecting revenue.
- (C) Methods of collecting revenue from the natural resources of the Province, having regard to their possible transfer to the Province, paying particular attention to the taxation of mineral resources by provincial and municipal authorities.
- (D) The extent to which any tax may be reduced or modified, or one form of taxation substituted for another, having particular regard to the Supplementary Revenue Tax and the Wild Lands Tax.
- (E) The division of responsibility for revenue and expenditure as between the Government and the municipalities, urban and rural, including the question of Mothers' Allowance and the care of indigents.
- (F) Adequacy of Sinking Fund and provision for the retiral of provincial and local funded debts.
- (G) Systems of local governments obtaining in the Province of Alberta and elsewhere.

The services of Mr. R. English, Assistant Deputy Minister of Municipal Affairs, were placed, by the Minister, at the disposal of the Committee to act as Secretary, and authorization was given to call on the services of Mr. J. C. Thompson, Provincial Auditor, and Mr. W. V. Newson, Deputy Provincial Treasurer, as required from time to time.

### **Method of Conducting the Inquiry.**

The following method of inquiry was decided upon:

1. To hold public hearings in the chief centres of the Province of Alberta, inviting representatives from public bodies, individual taxpayers and city authorities to present their views on the subjects referred to the Commission.
2. To secure information with regard to revenue and expenditure in the other Provinces of Canada, a number of the States of the United States of America, and certain of the British Dominions. The purpose of securing such inform-

ation was to enable the Commission to prepare statements showing the position of Alberta in comparison with other communities with respect to—

- (a) The total taxation in proportion to population including municipalities and school districts;
- (b) The expenditures borne by the Provincial Government in relation to that borne by the local authorities;
- (c) The distribution of revenue as between the provincial authority and the local authorities;
- (d) The sources of revenue and methods of securing it; thus putting the Commission in possession of the experience of older and more firmly established communities with respect to the questions submitted to it.

With regard to the first method of obtaining information, steps were immediately taken to hold public hearings at such places in the Province as would make it convenient for persons desiring to make representations, to do so. Accordingly meetings were convened in Edmonton, Calgary, Lethbridge and Medicine Hat; in all twenty-five public hearings were held. In every case public notice was given through the press and to public officials in ample time to give every one, desirous of presenting their views, an opportunity so to do. Full advantage was taken of the opportunity given as the representations stated herein will show.

With regard to the second method of obtaining information, viz., to secure exact information with regard to both revenue and expenditure in the Provinces of Canada, a number of the States of the United States of America, and certain of the British Dominions, the reasons in addition to those previously stated are as follows:

1. There is no absolute theoretical basis except as defined in our Constitution for determining:
  - (a) What power the Province should exercise in its own behalf.
  - (b) What services, apart from the ordinary responsibilities of Government, the Province should render.
  - (c) What powers with respect to taxation should be conferred upon the municipalities and other public bodies, and the services for which they should be responsible.

This being the case, it seemed wise as stated above to study the whole matter from the point of view of the experience gained in older and more firmly established communities.

2. While the general responsibilities as between the Government and other public authorities are somewhat defined by custom, the services rendered by public authorities in modern days have increased so greatly that difficulty has been found in allocating the responsibilities in a proper relation to the taxing authority, with the result that a great variety of practice has grown up with regard to many of these new services and responsibilities.

In order, therefore, to get a sufficient body of information on which to base a reasoned judgment, it was considered necessary to cover a considerable area of investigation. This was done in the hope that, when the comparisons were complete, a few simple prin-







ciples might emerge, that would enable the Commission to make intelligent recommendations regarding the taxing power to be exercised by the Government; the services it should undertake on its own behalf; the extent of financial support which the Government should give to undertakings where the responsibility is regarded as primarily belonging to the local authorities; the taxing power which the local authorities should exercise and the responsibilities they should assume.

As it was clear that the plan adopted by the Commission involved an intimate study of Public Accounts, not only of the Province of Alberta, but of other countries as well, it was deemed advisable to use the employees of the Audit and Treasury Department in preference to employing outside help. It was believed, in the long run, progress would be more rapid in this way; the direction of the work would be somewhat more easily controlled and the saving to the Province would be considerable. Further it was considered to be a great advantage to the officials of the Department in connection with their future work, to have been associated with a close and exhaustive study of financial transactions of other communities.

The inquiries instituted resulted in bringing together a large number of documents which have been studied and analysed.

In order to make proper comparisons it was found necessary to rearrange much of the material, as submitted in the Public Accounts of other countries, into a common framework. In so far as the Provinces of Canada were concerned we were able to secure the co-operation and assistance of the Treasury Departments of the various Governments. For example, we submitted to the Province of Ontario an outline of a set of headings under which we desired to have both revenue and expenditure assembled. The Treasurer of that Province instructed the responsible officials to completely prepare this statement, along the lines of our suggestion. Further the Treasurer of Ontario had prepared for us a complete statement of their sources of revenue, the original enactment under which the revenue was collected, and an analysis of the law in each case, showing the basis of collection. These documents are in the possession of the Commission, and will be available for the officers of the Alberta Government, for reference purposes. In a similar way we were able to get revenue and expenditure statistics from the Provinces of Manitoba, Saskatchewan and British Columbia.

In so far as the States of the United States of America are concerned, the facts were taken from the Public Accounts issued by the various Tax Commissions, checking against the publications of the Federal Government at Washington. Where explanations were necessary, correspondence was carried on to clear up difficult points. In two cases, namely, Minnesota and Wisconsin, the Chairman and Secretary of the Commission spent some days studying more intimately American methods of finance. The information from the British Dominions was obtained by correspondence and from public documents.

To the Tax Commissioners of the various States, and to the officials of the various Departments of the Governments of the Provinces of Canada, the Commissioners wish to express their

gratitude for the ready and willing help which they gave at all times.

Within the body of this report we shall use the word "State" with reference to one of the States of the United States; and "Province" with reference to one of the Provinces of Canada.

The subject matter of the report is divided into the following sections:

- I. Introduction.
  - II. Representations in the Province of Alberta.
  - III. Analysis of Provincial and State revenues.
  - IV. Growth of revenue and expenditure.
  - V. Comparison of items of expenditures in Provinces and States.
  - VI. Study of situation in Alberta in relation to Municipalities, Schools, etc.
  - VII. Recommendations.
-







## II.—REPRESENTATIONS IN THE PROVINCE OF ALBERTA.

The following is a brief summary of the representations made to the Commission by persons within the Province. It will serve to show the difficulties connected with the problems upon which the Commission has been asked to advise and will indicate the position taken by public taxing authorities as well as certain of the larger tax paying organizations on each of the subjects submitted for inquiry.

### 1. Representations Made by a Delegation from the Urban Municipalities.

- (A) With reference to equalization of the burden of taxation.
  - (1) That legislation be amended to enable the municipalities to impose a license on agents selling goods within the municipalities.
  - (2) That power be granted to impose a greater rate than eight mills on areas within town school districts, for school purposes.
  - (3) That consideration be given to the question of authorizing municipalities to impose a poll tax for educational purposes.
  - (4) That consideration be given to the suggestion that appeals from assessment be made to the Board of Public Utility Commissioners instead of to a Judge.
- (B) With reference to improved methods of collecting revenue.
  - (1) That to avoid duplication there be adopted a system providing for one taxing authority.
- (C) With reference to methods of collecting revenue from the natural resources of the Province, having regard to their possible transfer to the Province, paying particular attention to the taxation of mineral resources by provincial and municipal authorities.
  - (1) That minerals be exempt from taxation.
  - (2) That upon the return of the natural resources to the Province a part of the revenue derived therefrom be set aside, as a sinking fund, to retire the debt of the Province.
- (D) With reference to the extent to which any tax may be reduced or modified or one form of taxation substituted for another, having particular regard to the Supplementary Revenue Tax and the Wild Lands Tax.
  - (1) That the Unearned Increment and Wild Lands taxes be abolished.
  - (2) That the Supplementary Revenue Tax be abolished.
- (E) With reference to the division of the responsibility for revenue and expenditure as between the Government and

the municipalities, urban and rural, including the question of Mothers' Allowance and the care of indigents.

- (1) That the Government Grant of fifty cents a day for hospital patients be made to include both the day of admission and the day of discharge of patients.
- (2) That a nominal license fee for motor vehicles be imposed, and that the tax on gasoline be increased; that part of the revenue from the latter tax be apportioned among the municipalities for construction and maintenance of highways within the limits of the municipalities.
- (3) That restaurant licenses be abolished.
- (4) That the revenue from amusement tax be granted exclusively to the urban municipalities.
- (5) That the Government assume the total expense of the Mothers' Allowance Act.

**2. Representations Made by a Delegation from the Alberta Association of Municipal Districts.**

- (A) With reference to the equalization of the burden of Taxation.
  - (1) That all taxes on real and personal property, including mineral rights as well as a business tax, be considered as belonging exclusively to the field of municipal and school taxation.
  - (2) That the Province secure its own revenue from fields other than those mentioned above.
  - (3) That a tax be placed by the Province on soft drinks, chewing gum, cosmetics, candy, imported books, magazines and booklets, other than those of an educational nature.
  - (4) That an increased tax be placed on gasoline, with a view to a reduction of the present motor license fees to a flat rate, and that a rebate be given on gasoline used by stationary and traction engines.
  - (5) That all unorganized territory be formed into municipal districts, wherever the population warrants the same.
- (B) With reference to improved methods of collecting revenue.
  - (1) That all taxes levied in a municipal unit be levied and collected by the Municipal District.
- (C) With reference to methods of collecting revenue from the natural resources of the Province, having regard to their possible transfer to the Province, paying particular attention to the taxation of mineral resources by provincial and municipal authorities.
  - (1) That all Government lands be zoned, and graded as to values, and sold to settlers.
  - (2) That royalties be collected by the Province on sales of all mineral products.

- (3) That all Government lands be zoned, graded as to value and sold to intending settlers, and the proceeds placed in a sinking fund for the purpose of provincial debt reduction.
- (D) With reference to the extent to which any tax may be reduced or modified or one form of taxation substituted for another, having particular regard to the Supplementary Revenue Tax and the Wild Lands Tax.
  - (1) That the Supplementary Revenue and the Wild Lands Tax be abolished.
- (E) With reference to the division of responsibility for revenue and expenditure as between the Government and the municipalities, urban and rural, including the question of Mothers' Allowance and the care of indigents.
  - (1) That rural schools be supported as follows:
    - (a) By a graduated Government Grant.
    - (b) By a general levy over the whole municipal unit, sufficient to bring in, say, \$800.00 per school room.
    - (c) By a special levy in each School District for the balance required.
  - (2) That the Province assume full responsibility for all insane persons, and for all cases under the Mothers' Allowance Act.
  - (3) That the municipality assume the same liability in regard to all other cases of indigency.
  - (4) That the Provincial Government appoint two competent men as investigators to examine municipal and individual accounts in all units where seed grain and relief indebtedness exist; to determine the ability of each to pay any or all of such indebtedness; that such investigators have power to capitalize any such determined indebtedness and to spread the same over a period of years; the balance of indebtedness not covered by such determination, to cease to be a liability of the municipal unit; the municipal units against which any such amount has been determined to have the right of appeal to the Board of Public Utility Commissioners of the Province.
- (F) With reference to adequacy of Sinking Fund and provision for the retiral of provincial and local funded debts.
  - (1) That the capital value of the telephone debt be adjusted, and that the rates be set to cover operation, maintenance, and retiral, in due course, of the debt so adjusted.
  - (2) That no further borrowings be made for a period of years, except for the retiral of maturing bonded indebtedness.
  - (3) That until the natural resources are secured, the total provincial expenditure for each year be kept within current revenue.

(G) With reference to the systems of local government obtaining in the Province of Alberta and elsewhere.

- (1) That a system of county councils, consisting of four or more units be set up, for the purpose of handling all relief cases.

In addition to the foregoing, the delegation from the Alberta Association of Municipal Districts also recommended that, as far as practicable, main highways and district highways should be built at right angles to railways.

### **3. Representations by the Hospital Association.**

The main points stressed by the Hospital Association delegation were:

(E) With reference to the division of responsibility for revenue and expenditure as between the Government and the municipalities, urban and rural, including the question of Mothers' Allowance and the care of indigents.

- (1) That 50 cents per patient day allowed by the Government for hospital support was insufficient.
- (2) That the per diem allowance for isolation cases should be increased.
- (3) That the per diem allowance be restored to include the day of discharge and the day of admission.
- (4) That financial assistance from the Government should be given to hospitals for conducting nursing schools.
- (5) That while the cost of administration of hospital service had increased in recent years, the Provincial Grants had been decreased.

### **4. Representations Made by the Land Commissioner of the Hudson's Bay Company.**

(A) With reference to the equalization of the burden of taxation.

- (1) That all assessment appeals be heard by a permanent tribunal, to be appointed, and that the present method of appealing to a Judge of the District Court be discontinued.

(B) With reference to improved methods of collecting revenue.

- (1) That there be one taxing authority for the assessment and collection of taxes.

(D) With reference to the extent to which any tax may be reduced or modified or one form of taxation substituted for another, having particular regard to the Supplementary Revenue Tax and the Wild Lands Tax.

- (1) That the Wild Lands Tax Act be repealed.
- (2) That if the Wild Lands Tax Act be repealed, the Supplementary Revenue rate might be increased.

### **5. Representations, City of Calgary, Made by the Mayor.**

(A) With reference to the equalization of the burden of taxation.

- (1) That there be compulsory assessment of improvements in all villages, towns and cities.



(E) With reference to the division of responsibility for revenue and expenditure as between the Government and the municipalities, urban and rural, including the question of Mothers' Allowance and the care of indigents.

- (1) That the Provincial Government should assume a larger share of the cost of education.
- (2) That consideration be given to the fact that the cities are bearing a large share of the cost of hospitalization for persons from the rural districts.
- (3) That the city was not properly chargeable with much of the money expended on relief for Mothers' Allowance, old women, immigrants, prisoners' wives, deserted wives, old men, sick people, etc.
- (4) That the Government is imposing licenses in the cities without giving service, the burden of inspection being borne by the cities, which meant that these licenses were not for regulation purposes, but for the purpose of exacting revenue.

In addition to the foregoing the Mayor requested the Commission to inspect the City Act which had been presented to the Government as a Model City Charter, which, among other things, provided for uniformity of land assessment throughout the Province, and a different method of dealing with appeals from that now in vogue.

#### 6. Representations Made by the City of Edmonton.

(E) With reference to the division of responsibility for revenue and expenditure as between the Government and the municipalities, urban and rural, including the question of Mothers' Allowance and the care of indigents.

- (1) That the Provincial Government should assume the entire cost of administering—
  - (a) The Widowed Mothers' Allowance Act.
  - (b) Cost of indigent cases of mentally defective children.
  - (c) Cost of indigent T.B. cases treated at the Central Alberta Sanitarium.
- (2) Advances for educational purposes should be substantially increased.
- (3) That as part of the Provincial Government policy of improving highways, a definite contribution should be made to the City, towards the cost of maintaining its main thoroughfares connecting with the Provincial trunk roads.
- (4) That substantial contribution should be made to the cities out of government activities, originating within the cities, on which the Government makes a profit, for example—
  - (a) Liquor sales and Liquor Enforcement Act.
  - (b) Amusement Tax.
  - (c) Motor Vehicle Licenses.

**7. Representations Made by the City of Lethbridge.**

- (A) With reference to the equalization of the burden of taxation.
  - (1) That there be an increased gasoline tax, with corresponding reduction in the license fees for motor vehicles.
- (E) With reference to the division of responsibility for revenue and expenditure as between the Government and the municipalities, urban and rural, including the question of Mothers' Allowance and the care of indigents.
  - (1) That the cities be granted a portion of the Dominion Government Highways grant.
  - (2) That the burden of taking care of widows should be borne by the Province.
  - (3) That increased assistance be given for the care of indigent people.
  - (4) That the two platoon system for firemen established by the Government be abolished, as it increases the cost of upkeep of the Fire Department.
  - (5) That greater assistance be given by the Government for high school education.
  - (6) That some of the revenue from the gasoline and motor vehicle licenses be granted to the cities, for the upkeep of market roads within the city.

**8. Representations Made by the City of Medicine Hat.**

- (A) With reference to the equalization of the burden of taxation.
  - (1) That motor licenses be decreased, and gasoline tax be increased.
  - (2) That the Government should levy a tax for education and distribute the proceeds on a pro rata basis for school purposes.
- (E) With reference to the division of responsibility for revenue and expenditure as between the Government and the municipalities, urban and rural, including the question of Mothers' Allowance and the care of indigents.
  - (1) That Provincial license for restaurant was unfair, in that it was higher than that imposed by the City, while the regulation of these restaurants was left to the cities, necessitating sanitary food inspection.
  - (2) That the license imposed upon theatres in the cities was unjust, leaving the cities to provide for the supervision and conduct of such places.
  - (3) That the cities were entitled to a share of the liquor profits, pointing out that the cities were required to appoint policemen to control this class of business.
  - (4) That the cities be given a share of the revenue from Motor Vehicle Licenses.
  - (5) That the Government assume the burden of the Mothers' Allowance and the cost of maintaining children, imposing a general tax for that purpose.





- (6) That in certain rural areas where considerable depopulation has taken place, increased grants should be given for the operation of the schools.
- (7) That increased financial assistance should be given to hospitals.

**9. Representations Made by the Canadian National Railways.**

- (A) With reference to the equalization of the burden of taxation.
  - (1) That if a sound financial basis is to be obtained and owners of property to provide taxes in accordance with the benefits received, the Village and Towns Acts should be amended to provide for the assessment of all improvements on not less than two-thirds of the actual value.
  - (2) That the personal property tax be abolished and a compulsory business assessment be substituted, with provision that a schedule of rates to be applied, be uniform throughout the Province, and to be prepared by the Minister of Municipal Affairs, or some Board having jurisdiction over taxation.
  - (3) That appeals from assessment be taken to the Public Utility Commission, instead of to a District Court Judge, it being apparent that one body hearing all appeals could function to better advantage than appealing to District Court Judges scattered over the Province.
  - (4) That one member of the Public Utility Commission give his entire time to the exercise of jurisdiction over assessors, his duties to include the duties of the Equalization Board, and further that if the foregoing is not possible, then an Assessment Commission be appointed, with one member and a staff devoting their entire time to assessment matters, similar to the Commission operating in Saskatchewan.
- (B) With reference to improved methods of collecting revenue.
  - (1) That a Tax Recovery Act be passed similar to those now in force in Manitoba and Saskatchewan, making provision, however, whereby municipalities may obtain title to worthless land at a reasonable expense.

**10. Representations Made by the Calgary School Board.**

- (E) With reference to the division of responsibility for revenue and expenditure as between the Government and the municipalities, urban and rural, including the question of Mothers' Allowance and the care of indigents.
  - (1) That the burden borne by the individual municipalities with regard to secondary education, both for resident and non-resident pupils, should be borne, in part, by the Government.



**11. Representations from Security Land Agency and certain Mortgage Companies.**

- (A) With reference to the equalization of the burden of taxation.
  - (1) That wherever a restricted mill rate exists in the cities, it should be abolished, as it has "led to something which looks like dishonesty," in an attempt to get revenue under a fixed mill rate.
  - (2) That the Equalization Assessment Board be abolished, and that a central Appeal Board be appointed to determine fair actual value in assessments, a thing now impossible under the system of appeals to District Court Judges scattered over the Province.
- (B) With reference to improved methods of collecting revenue.
  - (1) That there be one tax collecting agency, and that all assessment notices for taxes be consolidated, so that one remittance can cover all taxes chargeable against property.
- (D) With reference to the extent to which any tax may be reduced or modified or one form of taxation substituted for another, having particular regard to the Supplementary Revenue Tax and the Wild Lands Tax.
  - (1) That the Wild Lands Tax be abolished.

In addition to the foregoing the Company recommended that the Saskatchewan System of tax enforcement be adopted in the Province, in lieu of the present Tax Recovery Act.

**12. Representations Made by the Canadian Pacific Railway Company.**

- (A) With reference to the equalization of the burden of taxation.
  - (1) That there be compulsory assessment of buildings and improvements in urban areas, in connection with which a minimum percentage of value should be fixed, below which assessments should not be permitted to go.
  - (2) That the Supplementary Revenue Tax in urban areas should be imposed on both lands and buildings.
  - (3) That the present Equalization Board should be abolished, and that a Central Appeal Board should be appointed to perform these functions, as well as the functions now performed by the District Court Judges, with respect to appeals from assessments.

**13. Representations Made by Alberta School Trustees Association.**

- (C) With reference to collecting revenue from the natural resources of the Province, having regard to their possible transfer to the Province, paying particular attention to the taxation of mineral resources by provincial and municipal authorities.
  - (1) That no decision had been reached by the Association on the question of having one taxing authority.
  - (2) That they were opposed to the creation of larger school units.
- (E) With reference to the division of responsibility for revenue and expenditure as between the Government and the muni-





cipalities, urban and rural, including the question of Mothers' Allowance and the care of indigents.

- (1) That they were opposed to further demands on parents in rural districts for high school education.
- (2) They favor special grants being made to schools in

#### **14. Representations Made by the Edmonton Board of Trade.**

(A) With reference to the equalization of the burden of taxation.

- (1) That the Corporations Tax Act now in force in this Province be amended, so that the Province may levy a tax on Companies whose headquarters is outside the Province, on the capitalization used within the Province only.
- (1) That 50% of the cost of inspection and maintenance in all high schools be paid by the Provincial Government; failure on the part of the Government to meet this demand, in the opinion of the representative of the School Board, would force the closing down of the facilities of Grade XI and XII in the City of Edmonton.
- (2) That as a temporary arrangement the monies being collected under the amusement tax be set aside and administered for the sole purpose of additional grants for secondary education.
- (3) That out of the Federal Grant for technical education of approximately \$75,000 per year, the Edmonton School Board should receive at least \$30,000, instead of \$13,000 at present being received.
- (4) That the Provincial Government give special grants for the support of physical and health education.
- (5) That grants shall be payable for each half day group in the primary classes, and not for each teacher, as at present.

In addition to the foregoing the Board recommended:

- (a) That the Provincial Government urge the Dominion Government that they make it a permanent policy to provide cash grants sufficient to cover at least 75% of the cost of instruction of technical education.
- (b) That a free and complete medical examination of all children under school age be organized, under Provincial supervision.

#### **16. Representations Made by the Elevator Owners of Alberta.**

(A) With reference to the equalization of the burden of taxation.

- (1) That the elevator tax should be abolished, and that Section 9 of the Corporations Tax Act should be repealed.

- (2) That the capital tax on elevators should be levied on paid-up issued capital, rather than on authorized capital, and that Section 18 of the Act should be amended accordingly.
  - (3) That these reforms should be brought into effect at the next Session of the Legislature.
  - (4) That a thorough study should be made of local revenues and expenditures, with a view to promoting retrenchment, efficiency and equalization.
- (B) With reference to improved methods of collecting revenue.
- (1) That larger tax districts officered by skilled assessors be established, and that such do function under a larger degree of Provincial supervision and control.

**17. Representations Made by the Retail Merchants Association of Canada.**

- (A) With reference to the equalization of the burden of taxation.
- (1) That the Provincial license fee required by Section 5, Chapter 39, of the Revised Statutes of Alberta, which now calls for \$25, should be increased to \$100.
  - (2) That the Corporations Taxation Act and Foreign Companies Ordinance be amended to provide for the licensing by municipalities of all agents of companies soliciting business within the municipality.

In addition they ask that agents soliciting business in any municipality be required by law to report to the municipal office and produce his Provincial license before soliciting business in the municipality.

A careful discussion of the foregoing representations will be found later in this report. For the moment it is sufficient to point out that should the Government undertake to meet, in any considerable degree, the demands made in the representations, a complete change in the methods of financing the Province will be necessary. It would appear on a reasonable estimate that if all the requests were granted it would involve the finances of the Province to the extent of approximately three and three-quarter millions as is indicated by the following statement:







**Loss in Taxation by Abolition of—**

Supplementary Revenue .....	\$1,489,495	
Wild Lands .....	509,393	
Amusement Tax to Cities .....	193,331	
Unearned Increment Tax .....	68,439	
Restaurant License .....	7,797	
		\$2,268,455

**Assuming Services of—**

Mothers' Allowance .....	\$ 284,007	
Additional Grants to Hospitals (estimated) .....	150,000	
Additional Assistance for Elementary Education (estimated) .....	200,000	
Additional Assistance for High School Education (estimated) .....	250,000	
Care of Mentally Defective Children .....	18,935	
Extra Grants to Highways (estimated) .....	100,000	
		1,002,942

**Grants to Municipalities—**

Requests division Liquor Profits (say 10%) .....	\$ 200,000	
Revenue from Motor Vehicles (say 20%) .....	200,000	
		400,000
<b>Total</b> .....		\$3,671,397

In addition requests were made that the Government should assume all costs for T.B. indigent patients, should abolish the elevator tax and should provide free medical examination for all children under school age. There is no data by which we could even estimate the cost of some of these latter items.

It is quite clear, therefore, that even though at present the burden of taxation may not be equitably distributed between the Province and the Municipalities, as claimed by some of those making representations, no small adjustment would meet the case. It would necessitate the organization of the Municipalities on a larger basis, giving them much larger financial responsibilities with respect to certain services than they are now exercising.

Theoretically, it does not much matter whether certain services are carried under government authority and financial support or under the authority and financial support of a local government unit so long as the work in connection with the service is a necessary work and is properly carried out. In many cases it would make little or no difference to the taxpayer. If, however, larger responsibilities are to be assumed by local authorities, the question of the creation of efficient machinery must be considered.

### III.—ANALYSIS OF PROVINCIAL AND STATE REVENUE.

Table I, attached hereto, shows the principal sources of revenue utilized by the various Provinces and States, whose accounts have been examined, which might properly be classed as taxation. Other sources of income have been omitted, such as federal subsidies, sale of lands, licenses and fees, fines and penalties, profits on trading transactions, revenue from revenue-producing assets, etc. As these are not properly classed as taxes, other tables in the report will show the significance of these sources of revenue to the taxing authorities.

Considering the Provinces and States, as a whole, it will be seen that the principal items of taxation are those numbered 1 to 32 below.

1. General Property.
2. Personal Property.
3. Wild Lands.
4. Educational (Special).
5. Timber Areas.
6. Unearned Increment.
7. Grain Companies.
8. Mines and Minerals.
9. Poll Tax.
10. Race Tracks.
11. Inheritance.
12. Motor Vehicles.
13. Gasoline.
14. Income.
15. Occupational and Royalty.
16. Money and Credits.
17. Corporations (general).
18. Banks.
19. Insurance Companies.
20. Loan Companies.
21. Trust Companies.
22. Railways.
23. Tramways.
24. Express Companies.
25. Sleeping Car Companies, etc.
26. Telegraph Companies.
27. Telephone Companies.
28. Light, Heat and Power Companies.
29. Steamship Companies.
30. Foreign Companies.
31. Miscellaneous Companies.
32. Amusement Tax.

The Table shows the sources, by means of taxation, from which the individual Provinces and States, referred to, seek revenue. It will be seen that there is a great variety of practice with regard to the items selected. Further, in addition to the difference in the sources used it will be seen that the legal requirements vary greatly





# TABLE 1.—TAXATION

Reference Nos.	CLASS OF TAXATION	BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO	QUEBEC	WISCONSIN	MINNESOTA
1	REAL PROPERTY	½ of 1% on actual value.	2 mills on fair actual value.	2 mills on fair actual value.	1¼ mills on fair actual value, including improvements.			Previous to 1926 assessment varied 25% to 40% prop. value. Since 1926 no genl. prop. tax for State purposes.	Property classified four classes; assessments varying, 50 to 10% and subject to general tax levy.
2	PERSONAL PROPERTY	½ of 1% on actual value.						Assessed and taxed as general property.	Assessed and taxed as general property.
3	WILD LANDS	5% on actual value.	10 mills on fair actual value.	10 mills on fair cash value.	5 mills on actual cash value.				
4	EDUCATIONAL (Special)		3 mills on fair actual value.						
5	TIMBER AREAS	3% on actual value.	2 cents per acre. \$5.00 minimum tax.	1 cent per acre.		\$3.00 to \$5.00 per square mile.			
6	UNEARNED INCREMENT		5% on increased value of land when sold.						
7	GRAIN COS.		\$50 each Elevator and 40 cents each \$1000 authorized capital.	\$10 to \$50 up to \$250,000 capital, and 20c per thousand and over maximum \$500	12c per 1000 bushel flax seeds, 6c wheat, 3c oats, barley and rye.			½ mill per bushel wheat and flax, ¼ mill other grain.	½ mill per bushel wheat and flax, ¼ mill other grain, through elevators, etc.
8	MINES AND MINERALS	3% on actual value.	Assessed and taxed as land.			Licenses and permits issued at varying rates.			Ore assessed as general property and taxed at 50% of value.
9	POLL	\$5 per head.						\$6 or four days statute labor.	
10	RACE TRACKS	5% of amount wagered.	5% of amount wagered.			\$7,500 a day and 5% of amount wagered.			
*11	INHERITANCE	½ of 1% on estates over \$10,000	½% to 35%.	½% to 12½%.	2/5 of 1% on estates over \$5,000	1% to 35%.	1¼% to 20%.	2% to 40%.	1% to 20%.
12	GASOLINE	3c per gallon.	3c per gallon.		3c per gallon.	3c per gallon.	2c per gallon.	2c per gallon.	2c per gallon plus ad valorem tax.
13	MOTOR VEHICLES	Taxed according to units of value and weight.	\$15 to \$35 according to wheel-base	\$15 to \$35 according to wheel-base	\$15 to \$35 according to wheel-base	\$14 to \$41 according to horse-power and cylinders.		Taxed on value as general property and licensed.	\$10 to \$350 maximum. Special rates for trucks.
14	INCOME	Graduated.			Graduated.			Graduated.	
15	OCCUPATIONAL AND ROYALTY							Tax levied on turnover.	6% on value of ore, and 6% on royalties.
16	MONEY AND CREDITS							Taxed as general property.	Taxed as personal property.
17	CORPORATIONS GENERAL	Cos. not paying Special Taxes are subject to General Income Tax.	40c on every \$1,000 of Authorized Capital on all Cos. not otherwise taxed (Includes Grain Cos.)	All Cos. not reached by other provisions and not Spec. exempt, pay an Ann. Fee, varying with Authorized Cap. Max. of \$500.			1/10% on paid-up Capital \$30 for each place of Business in Montreal or Quebec. \$15 elsewhere.		
18	BANKS	\$3000-Head Office \$500 each Branch (Liable also to P.P. Tax).	\$1200-Head Office \$200 each Branch (Private-\$200 and \$25). \$100 in a Village.	\$1200 for Head Office Branches-\$300 to \$50	Diminishing Tax According to number of Offices	1/5% on paid-up Capital 1/10% on Reserve Fund and Undivided Profits \$3000 on Principal Office \$100 on others.	1/10% on paid-up Capital \$200 on Head Office \$150 on other Office In Montreal or Quebec \$30 any other Office.	Income Tax basis with offset personal property.	Shares assessed at 40% of value, and taxed as general property.
19	INSURANCE COS.	2% on Gross Revenue	Life or Fire 2% Others 1% on Gross Premiums. If Investments are over \$50,000-¼% on Gross Income.	Tax of from 1% to 2% on Premiums. Min. according to Authorized Capital. If Investments exceed \$25,000 40c on every \$1000 invested.	2% on Gross Premiums in the Province.	Life-1¼% Others 1% On Gross Premiums in Ontario.	Life-1¼% on Premiums. Other-1% on Premiums. Minimum of \$400 for Life and \$250 for others. Marine Ins. Cos. \$250	3% on Gross Incomes within the State.	Life Insurance 3% Fire Insurance 2½% On Gross Incomes within State.
20	LOAN COS. (Land & Building Cos.)	2% on Gross Revenue.	½% on Gross Income. Land Cos.—40c for \$1,000 Invested. Min. according to paid-up Capital.	(And Land Cos.) 40c for every \$1000 invested Min. according to Cap.	¾% on Gross Income. Land Cos.—40c for every \$1000 invested. Min. according to Capital.	(c) 1/25% on paid-up Capital and 1/25% on moneys invested and deposits.	Graded Tax on paid-up Capital. Additional Tax on Offices.		
21	TRUST COS.	2% on Gross Revenue.	½% on Gross Income, Min. according to paid-up Capital.	½% on Gross Revenue from Investments for Others-1½% on Gross Rev. from all other sources. Min. according to Capital.	2% on Gross Income. Min. Tax of \$100. 1% on Gross Earnings of Investments for others.	¼% on paid-up Capital up to \$100,000. \$100 on every \$100,000 or fraction above. 1% on Gross Income in Ontario.	1/5% on paid-up Capital up to \$1,000,000. \$25 for each additional \$100,000 or fraction. Add. Tax of \$50 & \$20.	True value determined and taxed as general property.	5% on Gross Earnings
		2% on assessed value of waterworks and water supply.	1% of value of Road Set at \$20,000 per mile	If in operation 7 years or More 3%, if in operation 5-7 years 1½% of Gross	Maximum of 3% on Gross earnings in the Province.	\$60 and \$40 per mile in Municipalities. \$40 and \$20 otherwise.	\$30 per mile Main Track. \$15 per mile Add. Track. \$20 & \$10 for Branch Lines	True value determined and taxed as general property.	5% on Gross Earnings within the State.



17	CORPORATIONS GENERAL	Cos. not paying Special Taxes are subject to General Income Tax.	40c on every \$1,000 of Authorized Capital on all Cos. not otherwise taxed (Includes Grain Cos.)	All Cos. not reached by other provisions and not Spec. exempt, pay an Ann. Fee, varying with Author- ized Cap. Max. of \$500.			1/10% on paid-up Capital \$30 for each place of Business in Montreal or Quebec. \$15 elsewhere.	Taxed as general property.	Taxed as personal property.
18	BANKS	\$3000-Head Office \$500 each Branch (Liable also to P.P. Tax).	\$1200-Head Office \$200 each Branch (Private-\$200 and \$25). \$100 in a Village.	\$1200 for Head Office Branches-\$300 to \$50	Diminishing Tax According to number of Offices	1/5% on paid-up Capital 1/10% on Reserve Fund and Undivided Profits \$3000 on Principal Office \$100 on others.	1/10% on paid-up Capital \$200 on Head Office \$150 on other Office In Montreal or Quebec \$30 any other Office.	Income Tax basis with offset personal property.	Shares assessed at 40% of value, and taxed as general property.
19	INSURANCE COS.	2% on Gross Revenue	Life or Fire 2% Others 1% on Gross Premiums. If Investments are over \$50,000-1/4% on Gross Income.	Tax of from 1% to 2% on Premiums. Min. according to Authorized Capital. If Investments exceed \$25,000 40c on every \$1000 invested.	2% on Gross Premiums in the Province.	Life-1 1/4% Others 1% On Gross Premiums in Ontario.	Life-1 1/4% on Premiums. Other-1% on Premiums. Minimum of \$400 for Life and \$250 for others. Marine Ins. Cos. \$250	3% on Gross Incomes within the State.	Life Insurance 2% Fire Insurance 2 1/2% On Gross Incomes within State.
20	LOAN COS. (Land & Building Cos.)	2% on Gross Revenue.	1/2% on Gross Income. Land Cos.—40c for \$1,000 Invested. Min. according to paid-up Capital.	(And Land Cos.) 40c for every \$1000 invested Min. according to Cap.	3/4% on Gross Income. Land Cos.—40c for every \$1000 invested. Min. according to Capital.	(c) 1/25% on paid-up Capital and 1/25% on moneys invested and deposits.	Graded Tax on paid-up Capital. Additional Tax on Offices.		
21	TRUST COS.	2% on Gross Revenue.	1/2% on Gross Income. Min. according to paid-up Capital.	1/2% on Gross Revenue from Investments for Others-1 1/2% on Gross Rev. from all other sources. Min. according to Capital.	2% on Gross Income. Min. Tax of \$100. 1% on Gross Earnings of Investments for others.	1/4% on paid-up Capital up to \$100,000. \$100 on every \$100,000 or fraction above. 1% on Gross Income in Ontario.	1/5% on paid-up Capital up to \$1,000,000. \$.25 for each additional \$100,000 or fraction. Add. Tax of \$50 & \$20.	True value determined and taxed as general property.	5% on Gross Earnings.
22	RAILWAYS	2% on assessed value of \$10,000 per mile of Main Track, \$3,000 for Spurs, etc.	1% of value of Road Set at \$20,000 per mile till Inquiry.	If in operation 7 years or More 3%, if in operation 5-7 years 1 1/2% of Gross earnings.	Maximum of 3% on Gross earnings in the Province.	\$60 and \$40 per mile in Municipalities. \$40 and \$20 otherwise. Add. Tax of \$40 & \$20.	\$30 per mile Main Track. \$15 per mile Add. Track. \$20 & \$10 for Branch Lines 1/10% on paid-up Capital of Hotels.	True value determined and taxed as general property.	5% on Gross Earnings within the State.
23	TRAMWAYS, ETC.	2% on Gross Revenue.	\$200 if Line is 20 Miles or less. \$10 for each Mile over 20.		Under 15 M.-\$30 per M. 15-30 M.-\$40 per Mile. 30-50 M.-\$50 per M. Exceeds 50 M.-\$60 per M.	20 M.-\$20 per M. 20-30 M. -\$35 per M. 30-50 M.-\$45 per M. Over 50 M. \$60. 1% of Net Earnings in City.	\$50 per Mile Single Track. \$100 per mile Double Track.	True value determined and taxed as general property.	
24	EXPRESS COS.	2% on Gross Revenue.	\$10 to \$500 according to Population of place operated in.	Tax of from \$10 to \$150 according to location of place of business.	Tax according to locality operated in.	\$800 for each 100 miles or fraction thereof operated over.	(Extra-Provincial) 5/10 of 1% of Gross Earn- ings in Province. Min. \$800. Add. Tax—\$50 & \$20. And Tax on other business carried on.	True value determined and taxed as general property.	8% on Gross Earnings less transportation charges.
25	SLEEPING, ETC., CAR COS.					1% on Money Invested in the Province.	1/3% on Capital used in the Province. Add. Tax-\$50 & \$20	True value determined and taxed as general property.	5% on Gross Earnings within the State.
26	TELEGRAPH COS.	2% on Gross Revenue.	2% on Gross Revenue.	1% of Gross Earnings Max. of \$2,000.	Max. of 2% on Gross Earnings. Railways, Etc. Operating System—\$2,000.	1/5% on Money Invested.	\$1,000.	True value determined and taxed as real property.	40% of value assessed and taxed at rate fixed by State Tax Commission.
27	TELEPHONE COS.	2% on Gross Revenue.	25c or 50c per Instrument according to population.		Maximum of 2% on Gross Earnings.	(If Capital is \$100,000) 1/2% on paid-up Capital Min. of \$50.	1/10% of paid-up Capital.	3% on Gross Earnings.	4% of Gross Earnings within the State.
28	GAS & ELECTRIC COS.	(And Water Works Cos.) 2% on Gross Revenue.	\$500 to \$25 according to population. Gas Cos.—\$500 in any City 1/4c per 1000 cu. feet of Natural Gas.		Graded Tax according to Population of City oper- ated in.	1/10% on paid-up Capital. 1/2% on Net Revenue.		Taxed as general property.	Same as Telegraph Cos.
29	STEAMSHIP COS.						1/10% on paid-up Capital up to \$500,000. \$50 for every \$100,000 or fraction in excess. Add. Tax \$50 & \$20	Taxed as general property.	50c per ton of net tonnage.
30	FOREIGN COS.						(Chief Office out of Can. not otherwise Taxed.) 1/2% Gross Earnings in Prov. Min. \$50. Add. Tax of \$50 & \$20.		
31	MISCELLANEOUS		Grain Cos.—\$50 for each Elevator used. Power Cos. in City of more than 15,000 pay \$1,000.		(On Corporations not otherwise Taxed 2% on Net Income in 1921 only.)	Liquor Exporting Cos. pay \$15,000 per annum. Race Tracks \$5,000 to \$10,000 per day. 5% on Pari-mutual System.			
32	AMUSEMENT	10%.	Average 10%.		Average 10%.	Average 10%.	2c on admissions of less than 35c. 10c on admissions of \$1.50 and upwards.		





in different communities. It would appear that no logical scheme of taxation, that would commend itself to taxing authorities generally, had been found. This will become apparent as the methods of dealing with the individual items are studied in detail.

### 1. General Property Tax.

Speaking generally, general property, which includes both real and personal property, has been considered from time immemorial the main subject of taxation. In Table I we have separated real and personal property because of the difference in practice in dealing with the subject in the United States and Canada. Taking the North American continent, as a whole, the taxes on general property collected by States and Provinces, Counties and other local taxing authorities represent between 80 and 90 per cent., and in certain cases as high as 95 per cent. of the total taxes collected.

Of recent years there has been a general movement in favor of the General Property Tax being devoted entirely to municipal and local purposes. This has been difficult to carry out in the Provinces of Canada because of constitutional limitations, the Provinces being allowed only direct taxation. Only two Provinces, Quebec and Ontario, have been able to raise sufficient income from other sources to render them independent of the General Property Tax. A corollary of this movement has been the disposition to hand over to municipalities and local organizations a larger share of responsibility for the conduct of public services.

In the United States the two States, Minnesota and Wisconsin, represent the opposing views in relation to the use of the General Property Tax. An abstract of revenue derived from taxes for the year 1925 in the State of Minnesota shows that over \$116,000,000 was levied on general property, of which approximately \$15,000,000 was levied by the State for State purposes. The latter amount represented approximately 33% of the total taxation of the State for State purposes; the balance of \$101,673,000 levied on general property was applied to the purposes of the counties, school districts and other local taxing authorities. The total taxation from all sources for municipal and school purposes was \$103,285,000, so that the general property tax represented 98% of the total taxation for these purposes, while, combining with these the State taxation on general property, the amount represented 80% of the total taxation in the State.

The State of Minnesota presents one of the many methods of dealing with General Property Tax. The law of the State combines features that are traditional, an effort at economic equalization and, without doubt, features due to political expediency. In this State property is divided into four classes.

The first class covers iron ore, whether the same is mined or in the ground. It is assessed at 50% of its full value. In our Table it is shown under the heading "Mines and Minerals." This is the highest percentage of assessment for taxation applied to any property in the State. The ground taken by those who authorized the assessment was that the "iron ore deposits were the heritage of the people of the State, and that when exploited a substantial part of their value should be taken in the form of a tax for the benefit of all the people."

The second class covers household goods and all other property used to adorn and equip the family residence, wearing apparel and jewellery, and is assessed at 25% of its full value.

The third class of property covers livestock, poultry, all agricultural products (except agricultural products in the hands of the producer and not held for sale), stocks of merchandise of all sorts, manufacturer's materials and manufactured articles, tools, implements and machinery whether fixtures or otherwise (except agricultural tools, implements and machinery used by the owner in any agricultural pursuit), and all lands adapted to or used for rural agricultural purposes. All these are assessed at 33 $\frac{1}{3}$ % of their full value. In addition, under this heading, all taxes on implements and machinery used by the owner for agricultural purposes, including products not held for sale, are assessed at 10% of the full value.

It will be seen that there is a distinction made between different classes of property, and naturally as the assessment is only for a portion of the full value the mill rate runs high. There is obviously no advantage in this, except as a necessary means of discriminating among the different classes of property. The average mill rate in the State of Minnesota for General Property Tax in the year 1925, for all purposes, was 58.4, varying throughout the different counties from a maximum of 132 to a minimum of 31. A County Equalization Board equalizes the assessments of the counties for the purposes of State taxation.

The State of Wisconsin offers a slightly different point of view. In the year ending June 30th, 1925, they collected for State purposes, by means of a General Property Tax, approximately \$5,000,000 out of a total of just over \$104,000,000, the major portion, or \$99,000,000, being levied for municipal and school purposes. In 1926 the law was changed and no property tax is now collected by the State for State purposes. The division of the responsibility between the State and Local authorities makes this possible. In the year ending June 30th, 1927, no State tax was collected on general property, while the total collected by local authorities had risen to approximately \$105,000,000.

In the year ending June 30th, 1925, there was collected in Wisconsin for State purposes (including provision for grants to schools and highways) the sum of \$28,138,000, which included a General Property Tax as stated above of approximately \$5,000,000; while in the year ending June 30th, 1927, there was collected for State purposes approximately \$35,000,000 without any General Property Tax. The difference in the State collections between 1925 and 1927 was made up entirely of additional taxation on motor vehicles and motor fuel.

These two States represent a contrast in the United States which we also find in the Canadian Provinces; Alberta, Saskatchewan and Manitoba each collect a *real property tax* for provincial purposes, while British Columbia collects a tax on both Real and Personal Property. As previously stated, neither Ontario nor Quebec derive revenue for provincial purposes from either of these sources. The whole question turns on the services to be rendered by the Provincial authority. This division of services will be discussed later in











the Report. Suffice for the moment to say that Quebec and Ontario are highly municipalized in comparison with the Western Provinces and much larger responsibilities are borne by the local authorities.

The following Table (Table II) shows the amount raised for provincial purposes by taxation of general property in the Provinces of Canada and for State purposes in certain States of the United States. It also shows the per capita in each case and the percentage it bears to the total revenue. It will be seen that in the Table Manitoba comes lowest in both percentage of total and per capita and Alberta next lowest.

In all the Tables which follow we have used the same list of States. These were selected because they represent conditions similar to conditions in Canada; the Western ones corresponding somewhat to our Western Provinces, and the more Easterly ones having conditions corresponding somewhat to Ontario.

It should be further noted that our comparisons are all made on the basis of the figures for the year 1925, or where the fiscal year overlaps the calendar year, for the year 1925-26. These were the only figures available when the Commission commenced its work early in 1926. In checking against such figures as are now available for 1926-27, it was found that the conditions were so similar that conclusions reached would not be materially changed. In the Province of Alberta we have brought comparisons up to the end of 1926.

TABLE II.

\*Revenues of Provinces and States derived from General Property Tax for the years 1925-26 for State or Provincial purposes.

	Revenue derived.	Per capita.	Percentage of total revenue.
British Columbia .....	\$ 3,190,676	\$6.08	15%
Alberta .....	2,218,812	3.67	19.2%
Saskatchewan .....	3,101,658	3.84	27.4%
Manitoba .....	1,383,683	2.19	14%
Ontario .....	.....	.....	.....
Minnesota .....	15,245,760	5.84	27.3%
North Dakota .....	4,213,060	6.57	24.4%
Wisconsin** .....	.....	.....	.....
Michigan .....	28,480,305	6.65	36.6%
Colorado .....	5,676,866	5.46	37%
Utah .....	5,034,612	9.99	45.9%

\*For States the figures are for the year ending June 30th, 1927.

\*\*There was a revenue in Wisconsin in 1925. As the law was changed in 1926 the amount has been omitted.

We shall refer to this Table later in the Report.

As stated above the General Property Tax in every State of the Union includes both real and personal property. The growth in recent years of so many new forms of wealth, necessarily classed as personal property, but which by its very nature easily escapes taxation, has led to the questioning by many competent authorities of the whole scheme of raising revenue by means of a General Property Tax. There is at present a decided movement in favor of substituting for the Personal Property Tax an Income Tax supplementary to the tax on real property.

## 2. Personal Property Tax.

As pointed out, when discussing the general property tax, in United States real and personal property are grouped together under the words "general property." So far as your Commission is aware personal property is taxed in one form or another in every State of the Union for local purposes, and wherever a tax for State purposes is imposed it is included for the purpose of raising such tax. In all the eastern Provinces of Canada the personal property tax is also associated with the real property for raising taxes for local purposes. The same is true of British Columbia. In Alberta personal property is only used for taxation purposes in school districts and a few towns. A similar method is used in the Province of Manitoba and Saskatchewan. As previously stated there is a growing disposition to substitute for the personal property tax an income tax as being more equitable and not so liable to evasion. The enormous increase in recent years of wealth of an intangible character which has been classed as personal property has made tax collection on personal property exceedingly difficult, hence the disposition to substitute an income tax. In some States a small rate is imposed on personal property, in addition to the Income Tax, in order, as it is believed, to make the tax burden more equitable.

## 3. Wild Lands Tax.

The practice of establishing a tax on Wild Lands has been current in the Western Provinces of Canada for some years. It would appear as if the real purpose of this tax was to discourage speculation on lands, and to encourage settlement, putting all unused areas to productive uses. In British Columbia this tax is 5% on the actual value of the land; in Alberta it is 1%, assessed on the valuation for municipal purposes. In Manitoba the tax is  $\frac{1}{2}$  of 1%, and Saskatchewan 1% on a similar valuation. In Table II the Wild Lands Tax has been included for the Provinces of Canada as part of the total tax on general property.

The following Table (Table III) shows the change in assessment on Wild Lands in a period of nine years (1918-27) in five districts selected from various parts of the Province. The figures indicate that if a tax can be justified on the ground that it served the purpose for which it was introduced, this tax has been abundantly justified. Of course, other influences have been at work, but without question the most important has been the desire to avoid the tax by putting the land to productive uses.

TABLE III.

District.	No. parcels assessed.		Percentage decrease.
	1918.	1927.	
M.D. 482 .....	370	98	73.5%
M.D. 518 .....	266	123	53.8%
M.D. 363 .....	136	26	80.9%
M.D. 64 .....	199	91	54.3%
M.D. 248 .....	101	0	100%

## 4. Educational Tax.

The educational tax in the Province of Alberta is imposed only upon lands not situated within a school district. While the income derived from this tax forms part of the general revenue of the







Province, it is used for the purpose of promoting education, and may, therefore, not be regarded as belonging to the permanent income from taxation.

#### **5. Timber Areas Tax.**

Speaking generally, growing timber on Crown land is regarded as a reasonable source of revenue for Provincial or State purposes. In the Western Provinces where timber limits are owned by Federal authorities, the tax levy for Provincial purpose is in addition to the charges made for licenses or permits by the Dominion. In Ontario and Quebec, where the Crown lands are owned by the Provinces, the income from timber limits constitutes a considerable item in the revenue.

#### **6. Unearned Increment.**

The Unearned Increment tax is one of the newest taxes not yet generally adopted in Canada or the United States. It was originally imposed in Alberta at a time when the increase in the values of property was taking place rapidly, and it was deemed only fair that the Province should benefit to some extent by this rapid increase. It is a tax which, if imposed, should certainly be imposed by the Province and not by any local authorities. To date it has not been a great revenue producer, but in times to come with the growth of the country, the Unearned Increment tax should be of importance as a source of revenue.

#### **7. Grain Companies Tax.**

At the present time the only tax upon grain is that imposed upon elevators, namely, \$50.00 per elevator; together with the tax of 40c per \$1,000 of authorized capital. So far as Alberta is concerned, this is doubtless due to the fact that grain, as other moveable commodities, are personal property, and are, therefore, not subject to provincial tax under our law. The Grain Tax, however, is a common State tax in all the grain growing States of the United States. The practice in Minnesota and Wisconsin will serve for illustration purposes. In these two States all grain companies are charged one-half mill per bushel on wheat and flax passing through grain elevators or warehouses, and one-quarter mill per bushel on other grains. As the handling of grain is the largest business in the Province, and as it is a business common to the whole Province, it seems a reasonable position to take that if a tax is to be imposed upon this commodity the Province is the proper taxing authority.

#### **8. Mines and Minerals.**

It is the general practice also wherever mining operations are being carried on to collect a definite tax known as an "Occupational Tax." In the State of Minnesota this tax is assessed at 6% of the valuation of ores mined. The valuation on which the assessment is made is a net value after deducting the costs of production. In addition 6% is collected upon all royalties paid, either to persons, companies or corporations, who receive benefit from the operation of the mine. In fact the right of the State to tax mineral resources in the interest of the State as distinguished from taxation by local authorities is generally conceded. In the Provinces of Canada where mining operations are carried on the same rule is practised.

In Ontario a charge of 1c per acre per year is levied against mining rights held either under patent or under lease. In addition 3% per annum is charged on the actual profits of any company where the profits exceed \$10,000, and up to \$1,000,000; 5% from \$1,000,000 to \$5,000,000, and so on increasing with the amount of profit made. In the Province of Nova Scotia a considerable part of the revenue of the Province is derived from royalties on the coal mines of the Province. In Provinces where the lands and minerals are still held by the Federal Government the Provinces have sought to impose a tax on output in addition to any royalties collected by the Dominion Government. The legal difficulties that have stood in the way of realizing the full benefit of taxation on mines and minerals does not in the slightest alter the principle involved. In British Columbia the tax on mining lands is 3% of the value of the land. In Ontario, Quebec and British Columbia this tax is one of the considerable items of revenue.

#### **9. Poll Tax.**

This tax is not generally used in the western part of the United States, unless statute labour on public highways may be so regarded. In 1925 \$3,659,000 was collected by the Governments in the few States that imposed it. In Canada only one Province uses the Poll Tax, namely, the Province of British Columbia, where the tax is \$5 per head on all persons occupied in the Province who do not otherwise pay taxes. The income from this source in 1925 was \$120,000, which would indicate that 24,000 people were found eligible to pay such a tax.

#### **10. Race Tracks.**

A tax on race tracks has become in four Provinces of Canada an important item of income. In Ontario a daily tax of \$7,500 is imposed for each day a race meet is held, and an additional tax of 5% of the amount wagered at the track. In British Columbia, Alberta and Manitoba there is no daily tax, but 5% on the gross amount wagered at the track is charged. From this source Ontario collected in the year 1925, \$2,702,407.25, and British Columbia \$169,638; while the Provinces of Alberta and Manitoba collected no revenue from that source. The tax was introduced in Alberta in the year 1926, and approximately \$100,000 will accrue to the Provincial revenue during the present year.

#### **11. Inheritance Tax.**

The Inheritance Tax, or as it is known in Canada, the Succession Duties, has come to be regarded as one of the very important sources of State revenue in nearly all the States, and Provinces of Canada. The right of the State to secure a portion of inheritance goes back very far in history. A record of it is found in the annals of the old Roman Empire, and later in the middle ages in Europe, and progressively through to the present time. Today some form of inheritance tax is found in almost every country of the world, the more democratic the country the more developed is the tax. In the United States some form of inheritance tax is in existence in nearly every State of the Union. It is also a well established system of taxation in all the Provinces of Canada. In every Province and State the rate varies with the relationship between





the deceased and the inheritor. It will be seen from Table I that the manner in which the rate changes with the relationship in the different Provinces and States is very varied. Without question the argument advanced many years ago by some English economists that intestate property should go to the State instead of to distant relations is being revived, especially when intestate property would go to those who are so distant as not to have any right of reasonable expectation of inheritance. It is respectfully suggested that here lies a possible new source of income for future Finance Ministers. Reference will be made to this again.

#### **12. Motor Vehicle Tax.**

#### **13. Gasoline Tax.**

The recent development of the automobile has given a new source of revenue, by way of motor vehicle licenses and gasoline taxes. The increase in the income of States from motor licenses is shown by the fact that in the year 1901, the first year that the motor vehicle was considered worthy of taxation, the State of New York, the only State charging a license, collected \$964. For the year ending June, 1926, there was collected a total of \$475,885,000. In the latter year there was spent approximately \$900,000,000 on capital account on the building of roads.

Two systems are in vogue for taxing motor cars: one is to charge a nominal license from the State authority, and to allow the motor vehicle to be taxed as personal property by the local taxing authority; the other is to have the State charge a definite license on motor vehicles, graded according to the value and weight of the car, the State collecting the tax, and in the main applying the income to the building and upkeep of roads.

With regard to the gasoline tax the question of building and maintaining suitable roads, the latter having been made necessary by the advent of the automobile, without question, gave rise to the necessity of imposing a gasoline tax, also to be applied to road upkeep purposes. This tax varies on the North American Continent from 1c to 5c per gallon, with a tendency to increase the amount. Twenty-one States collect 2c per gallon; ten collect 3c per gallon; three collect 3½c per gallon; four collect 4c per gallon; one collects 5c per gallon, and the others varying amounts. Both the Motor Vehicle and Gasoline Tax are common also in the Provinces of Canada, the maximum charge at the present time being 3c per gallon.

The importance of this tax to the Provinces and States using it will be seen from the following Table (Table IV):

TABLE IV.

Income from Motor Vehicle and Gasoline Tax, 1925-26.

State or Province.	Motor License.	Gasoline Tax.	Per capita for both taxes combined.
Minnesota .....	\$ 9,977,000	\$ 4,805,000	\$5.66
North Dakota .....	1,578,000	988,000	4.00
Wisconsin .....	9,074,000	5,210,000	5.01
Michigan .....	16,954,000	10,082,000	6.31
Colorado .....	1,507,000	2,092,000	3.46
Utah .....	634,000	1,258,000	3.75
British Columbia .....	1,371,214	579,037	3.71
Alberta .....	954,411	311,403	2.09
Saskatchewan .....	1,296,594	.....	1.60
Manitoba .....	706,170	202,371	1.43
Ontario .....	5,640,000	*1,974,400	3.58
Quebec .....	2,533,000	653,000	1.14

\*5 months only in the year 1926—estimated for year at 4,500,000 to get per capita.

#### 14. Income Tax.

The Income Tax in so far as it applies to corporations has been in operation in most modern communities for a considerable time. The Personal Income Tax is of more recent origin, and came about largely as a protest against the inequalities of the Personal Property Tax. The growth of modern wealth has been largely in the form of personal property of an intangible character as distinguished from the old form of personal property, household effects and possessions in connection with land. The possibility, therefore, of evading payment on the intangible personal property of modern days became largely a question of morals with the taxpayer and with a local assessor, whose duty it was to secure a proper assessment. The substitution of Income Tax Returns, made directly to constituted authorities and under heavy penalty, has to a considerable extent remedied this defect.

The Personal Income Tax today plays a most important part in the taxing system of all countries. In the United States of America, where the tax is collected by the Federal Government, it constitutes approximately one-half of the total Income Tax collected. In Canada, under the Dominion Government system, it represents approximately two-fifths of the total Income Tax collected. For the fiscal year 1925, the United States Government collected in Income Tax a total of \$1,761,659,000, of which \$845,426,000 was collected from individuals, while \$916,232,697 was collected from corporations. The total per capita Income Tax for that year for the United States was \$15.26, of which \$7.33 was the contribution per capita of individuals, and \$7.93 that of corporations. For the fiscal year 1926 this amount had increased considerably, the per capita being \$16.88. The ratio, however, between income tax from corporations and that from individual incomes was approximately the same. In the same year, that is, the year 1925-26, the Dominion Government collected \$55,571,692 from individuals and corporations, being \$5.93 per capita; this was slightly reduced in amount the following year, the total being \$47,386,309, a per capita charge of \$5.06.

It will be noted that in 1925 the *per capita* charge for Income Tax (including corporations and individuals) in Canada was just







over one-third of that collected in the United States, while in the following year it was less than one-third of that collected in the United States.

Since 1911, thirteen States of the American Union have introduced the Personal Income Tax as a source of State revenue, while in all, twenty States now collect income, either corporate or personal. In some States the Income Tax constitutes a very important part of the revenue of the State; for example, the State of Wisconsin collected in the year 1926, \$6,250,000; North Dakota \$557,000, and Missouri \$4,336,000.

The Personal Income Tax has also been introduced in two Provinces of Canada, namely British Columbia and Manitoba. In these Provinces the income already forms a considerable item of revenue, amounting in British Columbia to \$3,449,945, and in Manitoba to \$509,975.

There can be no doubt, when the intricacies of modern finance are taken into consideration, that an Income Tax can be administered more equitably by the National Government than by a number of local Governments. On the other hand, because of constitutional limitations, which prevent the Provinces of Canada from using other than direct taxation as a basis of revenue, it would appear to be both fair and equitable that the Provinces should benefit directly from income so derived. Reference will be made to this point later in the Report.

#### **15. Occupational and Royalty Tax.**

So far as mining operations are concerned, an explanation of this tax will be found on page 28 under the heading of "Mines and Minerals." In addition some of the States charge a special tax for certain businesses, such as the sale of coal, where a percentage of the turnover is also taken into the public revenue.

#### **16. Money and Credits.**

The State of Minnesota provides for an annual taxation of money and credits at three mills on each dollar of the fair cash value thereof, in lieu of all other taxes. "Money" so used means gold and silver coin, treasury notes, bank notes and other forms of currency in common use; and the word 'credits' means and includes every claim and demand for money or other valuable thing, and every annuity or sum of money receivable at stated periods, due or to become due, and all claims and demands secured by deed or mortgage, due or to become due, and all shares of stock in corporations the property of which is not assessed or taxed in the State. The tax is levied and collected in the same manner as other personal property taxes." (Minnesota Tax Commission, 1926.)

### **TAXATION OF CORPORATIONS.**

The taxation of corporations has come to be in every civilized country regarded as an important source of state revenue. Reference to Table I will show that such taxes are collected by all governments under our survey. The old method was to tax corporations under a general property tax, the State collecting for its own uses and local authorities being permitted to tax as ordinary property. Nearly all the States of the Union have broken away from this

custom, a general law being established in connection with specific corporations and a particular law being applied where specific taxation is not provided. Generally, valuation for taxation purposes is assessed by a Board under the authority of the State. The method of dealing with the taxation of various types of corporations are set out below under headings numbered 17 to 31.

The striking fact disclosed is the wide variation both in the rate of taxation and the method of imposition. Professor Seligman, in his "Essays on Taxation," points out that no less than thirteen important methods of taxing corporations are now practised in various States, in addition to combinations of these methods. In all the more progressive States, however, it is generally recognized, first, that the basis of taxation of corporations for state or provincial purposes should be either on gross earnings or a levy on capital, including stocks and bonds; second, that taxation imposed for local purposes should be restricted to the real estate only.

#### **17. Corporations General.**

The method of dealing with the taxation of corporations, for which there is no special legislative authority, will be found set out in Table I.

#### **18. Taxation of Banks.**

The system of taxing banks, now common in the United States, is "the separate taxation of the real estate owned by the bank together with the tax paid by the bank and then withheld from dividends levied sometimes by local, but more frequently by State, officials on the value of the shares, less the value of the real estate and other exempt property." (Seligman's Essays on Taxation.) The shares of such banks are taken at their market or book value, in determining the basis of taxation.

The practice is entirely different in Canada. A glance at the Table will show that in the Western Provinces a fixed sum is charged on the head office and each of its branches. In Ontario and Quebec the tax is upon the capital, reserve fund and undivided profits.

#### **19. Insurance Companies.**

The taxation of Insurance Companies varies greatly in different countries; generally speaking, taxes are levied on the gross premiums or gross receipts. In a few of the States of the Union the tax is levied on net receipts. In one or two States the net receipts on foreign Insurance Companies are regarded as personal property, and are included in the personal property tax, in which case the companies are kept free from all local taxation, excepting local real estate. The rates of taxation are exceedingly varied, ranging from  $\frac{1}{2}$  of 1% to 3% in the case of Life Insurance Companies; and from  $\frac{1}{2}$  of 1% to  $3\frac{1}{2}$ % in the case of Fire Insurance and other Companies. The average rate has gone up in recent years, but in the year 1925 the average was 2.08% in all the States brought under our observation.

In Canada the general practice is to collect for Government purposes a percentage on the gross premiums collected in the Province. A glance at Table I will show that this varies from 1% to 2%. The rate may be taken as approximately 2% on gross premium income.





**20. Loan Companies.****21. Trust Companies.**

Generally speaking, Loan and Trust Companies are treated in the various States of the American Union like other financial corporations. Usually the tax is imposed on gross receipts or on an ad valorem basis.

In addition, in some States a tax on the Charters of Incorporated Companies is levied, which constitute really a license fee for the privilege of incorporation or registration. In Canada the practice is to levy the tax either on authorized capital, or on gross receipts.

**22. Railways.**

The problem of railroad taxation has received a great deal of consideration in many of the Legislatures of the United States of America, and many different methods have been applied, from time to time, in making railroads contribute what was deemed by the States to be a fair share of the taxation required by the State. Broadly speaking, it may be stated that railroads are now regarded as subject to taxation by the central authority, in some cases local real estate being subject to local taxation. The method, generally, is on an ad valorem system, including a valuation of the tangible property, assessment for which is made by a State Board. In a few of the States the ad valorem system includes the valuation of the franchise involving either a taxation of earnings or a taxation of the joint value of the stocks and bonds issued by the Company, the stocks being taken at market value. Five States—California, Connecticut, Maine, Maryland and Minnesota—levy a tax on gross earnings, in some instances grading the tax in proportion to the average of receipts per mile of railway. The State of Minnesota collects 5% of the gross earnings within the State; California collects 7% on the same item. It may be said, therefore, that broadly speaking, the taxation of railways in the United States is divided between the two systems: first, a percentage basis on property value; second, taxation of gross earnings. As already stated, in the State of Minnesota 5% on the gross earnings are taken. In the State of Wisconsin the rate is a percentage on the value of the property. The results in these two States, per mile of railway, is very much the same, although the method is radically different. The following Table (Table V) will show the comparative growth of railway taxation in the group of States generally referred to in this report as between the years 1910-25. In the latter year the total tax on railways in the United States was over \$380,000,000. In that year the average taxation in the United States of America per mile of railway, including Federal and State, was \$1,603.

TABLE V.

Taxation of Railways in the United States, 1910-25, with the Amount Per Mile and Per Capita for the Latter Year.

	1910.	Per mile.	1925.	Per mile.	Per capita 1925.
Minnesota .....	\$3,958,000	\$461	\$ 7,965,000	\$ 962	\$3.05
North Dakota .....	1,427,000	341	4,290,000	834	6.69
Wisconsin .....	3,162,000	440	7,295,000	1,030	2.56
Michigan .....	4,052,000	469	7,656,000	1,076	1.79
Colorado .....	1,637,000	306	3,719,000	828	3.58
Utah .....	692,000	383	2,161,000	1,039	4.29
California .....	3,444,000	508	12,863,000	1,893	3.08
Federal Gov't. ....	4,315,000	.....	87,680,000	391	.76



Corresponding figures for Canada for the year 1925 are shown in the following Table (Table VI). The Canadian figures do not contain taxation on land owned by railway companies, other than that used for railway purposes, and merely represent the Provincial tax on a mileage basis. In addition, there is an income tax on net revenue imposed by the Dominion Government.

TABLE VI.

	1925.	Per mile.	Per capita.
Alberta .....	\$190,435	\$38.37	\$0.31
Saskatchewan .....	206,520	29.27	0.25
Manitoba .....	327,619	72.16	0.52
Ontario .....	720,596	66.06	0.25

### 23. Tramways.

In thirteen States of the Union special taxes are imposed upon the Street Railways. In some of these States the tax is on gross receipts ranging from 2 mills to 5½ mills. In the State of New York 3% is charged upon dividends in excess of 4%. Apparently it has not been the practice to tax Street Railways in Canada, excepting in the case of British Columbia, where 2% on gross receipts is taken into the Provincial revenue. The advantage to cities like Edmonton and Calgary, where the Street Railway is municipally owned, is obvious.

### 24. Express Companies.

In nearly all the States of the Union taxation on Express Companies is regarded as a proper source of State revenue. Thirty States are now collecting taxes based on gross receipts. Here again variation exists both in the rate and basis of taxation. The rate varies from 3 mills in certain States to 8% on an ad valorem basis in others. In certain States the taxation is on a mileage basis. In Canada, on the other hand, the general practice is to fix a lump sum for the offices in Cities, Towns and Villages for the purpose of Provincial revenue, local authority having the right to tax on the real estate within its bounds.

### 25. Sleeping Car Companies.

In many of the States Sleeping Car and Freight Car Companies are taxed separately, and on a different basis from the taxation of railways. In Minnesota the tax is 5% on the gross earnings within the State. In Wisconsin they are assessed at their true value and taxed as general property. A similar tax is found in two of the Provinces of Canada, namely, Quebec and Ontario. The method of taxation, however, is different. In the former ¼ of 1% is collected on the capital used in the Province; together with a tax of \$50 for each office or place of business in the cities of Montreal and Quebec; and \$20 for each other office or place of business in the Province. In Ontario the amount is 1% on the amount of money invested in the Province.

### 26. Telegraph Companies.

These Companies are also regarded as suitable subjects of taxation for State purposes. Here a gross receipt system is followed in many of the States, the rate on the gross receipts varying from 3 mills to 5½%. A few States impose a tax on the mileage of wire.





This again varies greatly in different States, from 65c per mile to \$5 per mile, and in many instances an additional license from \$10 to \$50, graded according to population.

A few of the States, notably Minnesota, Wisconsin and Michigan, have adopted an ad valorem system, the whole property being treated as general property, and subject to a general property tax. Broadly speaking, however, either a percentage of gross receipts or a rate per mile, together with a license has generally been adopted in the States of the Union.

In Canada, as will be seen from the Table, there is a great variation in practice. Saskatchewan collects 1% on gross earnings, with a maximum tax of \$2,000; Manitoba collects 2% on gross earnings; Ontario collects  $\frac{1}{2}$  of 1% on the total amount of money invested in the Province, and in Alberta an amount is fixed by agreement between the Government and the Companies.

#### **27. Telephone Companies.**

What has been said with regard to Telegraph Companies may also be said, in the main, with regard to Telephone Companies, especially in the United States. In 21 States of the Union a gross receipts tax is collected. This varies from 3 mills to  $5\frac{1}{2}\%$  in different States. In some of the other States the ad valorem system applies, and in others a mileage system is taken.

In Canada the practice also varies. It may be said generally that one of two methods is resorted to: either a tax on gross receipts, or a tax on paid-up capital. Some of the Provinces, as in Alberta, have a public controlled system, and hence no income accrues through taxation to the Provincial Government from that source.

#### **28. Light, Heat and Power Companies.**

In many of the States of the Union a tax is collected on gas, electric light, heat and power companies, and in some cases on waterworks companies. The method of taxation varies as in other corporations. Generally speaking, however, it is either an ad valorem tax on property value, or a tax on gross receipts. Where the tax is applied on gross receipts the amount demanded varies from  $\frac{1}{4}$  of 1% to  $7\frac{1}{2}\%$ . Such companies are also taxed in certain of the Provinces of Canada generally on authorized capital or in proportion to the size of the community in which the companies operate. Alberta collects  $\frac{1}{4}$  of 1c per 1,000 cubic feet on natural gas.

#### **29. Steamship Companies.**

In States and Provinces with a sea border, or those bordering on the Great Lakes, it is the general practice to impose a tax on Steamship Companies. The Table will show that this is being done in Quebec, Wisconsin and Minnesota. Such a tax, of course, is not applicable in the Prairie Provinces.

#### **30. Foreign Companies.**

With regard to Foreign Companies the Table is self-explanatory.

#### **31. Miscellaneous Companies.**

In most of the States of the Union, and the Provinces of Canada, there is a general law covering the taxation of corporations. In

such Acts, or by means of special legislation, provision is generally made for taxing Companies of an extra-ordinary character which do not come under the general law. The Table shows three illustrations of the operation of this rule.

### **32. Amusement Tax.**

In four of the six Provinces of Canada, shown in Table I, a tax on amusements is collected for the purposes of provincial revenue. Generally the tax is 10% of the price of admission. In all the Provinces the property owned by Amusement Companies is taxed by local authorities as real property, and it is presumed that the usual business tax is collected.

### **33. Revenues Other Than Those Referred to in Table I.**

#### **(a) Licenses on Business, Trades and Professions.**

It is also a common practice for State Legislatures and Provincial Governments to license persons for the conduct of certain businesses, trades or professions for which a small fee is charged. In general, the aim of this fee is to cover the costs connected with the regulation of such enterprises, although a decided advantage in income generally lies with the imposition of such licenses. In some States, and indeed in the Provinces, the right to license is also conferred upon Municipalities, but, generally speaking, such a right is only one where a nominal fee is charged in order to pay administrative costs. Without question there is overlapping in connection with the issue and administration of licenses.

#### **(b) Administration of the Liquor Act.**

In none of the States of the Union, now, are there Liquor Laws permitting the States to administer the sale of intoxicating liquors to the advantage of State revenues on account of the Federal Prohibition Law, but in practically all the Provinces of Canada the sale of intoxicating liquors is under provincial authority and the profits accruing from the sale of such is solely applied to the public revenue. It is true that at least in one Province a distribution of this is made to the municipalities, but as in every Province general assistance is given to the municipalities from general revenue for specific purposes; the special distribution of the profits from a particular income has little meaning unless it is applied over and above the normal grants of the Province for municipal purposes.

#### **(c) Fees, Fines, and Penalties.**

Another source of revenue found in most of the States, and in all the Provinces of Canada, is from fees. Strictly speaking, these should not be considered as taxation, as they are merely charges in connection with services rendered, and while in a few cases, such as in the administration of the Land Titles Act, a profit is made on the transactions, on the whole, they do not cover the cost of the services rendered. In the case of a surplus under the administration of the Land Titles Act it is regarded as an Assurance fund in connection with the Torrance system of registration. With regard to fines and penalties the total income from this source is considerable, and without doubt helps to lighten the burden of taxation for the administration of justice, but it does not in any sense cover the administrative costs.











**(d) Revenue-producing Assets.**

In this discussion we have omitted all reference to public utilities, such as Government railways and telephones. Apart from these activities, however, there is a considerable revenue derived from interest on loans and other revenue-producing assets. As this source of revenue is common to all Governments, and in the main represents the same items of income, we think it unnecessary to make further comment upon it.

Attention is called again to the great variation in the basis and rate of taxation in connection with the various sources discussed in the foregoing paragraphs. It is quite evident that while the whole problem of taxation is being thrashed out by expert economists and public taxing authorities, no clear ground of agreement has yet been reached as to the method of dealing with the general problem. Without question, the grip of tradition is still strong in the minds of public taxing authorities. For this, of course, there is the excellent reason that the introduction of new methods often leads to confusion and much loss of revenue. This is very well illustrated by the effect of the adoption in early days of the Single Tax idea in the Towns and Cities of Western Canada. The real problem with the taxing authorities is to secure funds to carry on the business of the country, and naturally they are not inclined to give up well established sources for other sources that might not as easily produce the desired revenue. As a result of the work of economists new light is being constantly thrown on the problem, and without question we are nearing a time when a more rational system of taxation will have been evolved insuring a more equitable distribution of the tax burden.

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#### IV.—GROWTH OF REVENUE AND EXPENDITURE.

As there is from time to time much discussion in the public press and in technical journals with regard to the increase of taxation, it is deemed fitting that at this point we should call attention to certain facts pertaining to the growth of revenue and expenditure in connection with the administration of Governments in the Provinces of Canada, and with our own Province in particular. We shall treat the subject under three headings: (a) Growth of revenue and expenditure; (b) growth of debt; (c) causes of the growth of revenue and expenditure.

##### (a) Growth of Revenue and Expenditure.

The following Table (Table VII) shows the actual expenditure in six of the Provinces of Canada for the years 1900, 1910, 1920 and 1925, as well as the amount per capita for each of the dates mentioned.

TABLE VII.

Growth of Expenditures of the Provinces of Canada, 1900-1925.

Provinces.	1900.	1910.	1920.	1925.
British Columbia .....	\$1,831,205	\$6,382,993	\$11,568,003	\$19,714,617
Per capita .....	10.25	16.26	22.03	37.57
Alberta .....		4,002,394	10,423,356	11,343,006
Per capita .....		10.69	17.71	18.66
Saskatchewan .....		2,220,866	8,707,833	11,474,737
Per capita .....		4.50	11.49	14.10
Manitoba .....	1,084,405	3,234,941	10,602,955	9,525,226
Per capita .....	4.25	7.01	17.37	15.04
Ontario .....	4,003,729	8,887,520	25,880,843	43,311,099
Per capita .....	1.83	3.51	8.81	15.33
Quebec .....	4,433,386	5,627,755	13,520,740	23,629,390
Per capita .....	2.68	2.80	5.72	8.47

It will be seen at once, especially in the latter part of the period, that the growth of expenditure has been phenomenal. In Ontario the costs of government more than doubled between the year 1910 and 1920, almost doubled again between 1920 and 1925. The proportionate increase in Quebec was approximately the same, although the cost per capita is much smaller on each of the dates mentioned. In the Western Provinces the great increase in expenditures took place between 1910 and 1920, the growth and total expenditure after 1920 not being in the same proportion. Taking the total expenditures of all the Provinces of Canada for the twenty years beginning 1905 and ending 1925, the figures are as follows:

1905 .....	\$ 16,880,959	\$ 2.80 per capita.
1925 .....	136,648,242	15.00 per capita.

an eight-fold increase over that period. A study of the municipal and school statistics will show a corresponding increase, the growth of expenditure being nearly proportionate under all public authorities.

In connection with the foregoing figures and those in all of the Tables which follow account must be taken of the decreased purchasing power of money following the year 1915. When this is







taken into consideration the increase of expenditure is not so great. For example, the \$136,648,232 reduces to approximately \$90,000,000; in the same period the population had increased from 6,000,000 to approximately 9,000,000. If computation is made on this basis the increase per capita changes from \$2.80 to \$10.00, instead of from \$2.80 to \$15.00. A fair approximation to values preceding the year 1915 for values in the years 1922 to 1926 can be obtained for any of the following Tables by dividing the figures indicated in the latter mentioned years by 1.5.

Reliable statistics as to the growth of General Property Tax in Canada unfortunately are not available. It may safely be assumed, however, that as the growth of total expenditure in United States and Canada has been in about the same proportion, the growth of taxation on general property would more or less correspond, so that the following Table (Table VIII), taken from American statistics covering a period of twenty years, from 1902 to 1922, may be taken as an indication of what has happened in Canada.

TABLE VIII.

Growth of Taxation on General Property in a Group of States, and Per Capita 1902-25 (State, Municipal and Local Governments).

State.	1902.	1912.	1922.
Minnesota .....	\$17,761,000	\$38,108,000	\$107,325,000
Per capita .....	9.65	17.47	43.78
North Dakota .....	4,186,000	11,785,000	31,167,000
Per capita .....	11.44	17.97	47.13
Wisconsin .....	20,503,000	36,848,000	108,944,000
Per capita .....	9.61	15.23	40.45
Michigan .....	23,447,000	47,998,000	168,797,000
Per capita .....	9.48	16.34	43.97
Colorado .....	10,741,000	16,931,000	44,588,000
Per capita .....	19.34	19.17	45.75
Utah .....	2,848,000	6,529,000	17,711,000
Per capita .....	9.81	16.13	37.82

When it is remembered that during the same period new sources of revenue of considerable magnitude have been tapped for State purposes, it will be seen how tremendously the burden of taxation grew during that period. The fact of this growth could be illustrated in a great variety of ways, but the foregoing Tables seem to be sufficient to indicate what has taken place.

#### (b) Growth of Debt.

The growth of public expenditures over the same period is also seen by the growth of the State and Provincial funded obligations.

The total indebtedness of the State Governments of the United States in 1912 was .....

\$ 422,797,000

Of all local authorities .....

3,475,954,000

Making a total of .....

\$3,898,651,000

Or a combined per capita debt of .....

\$39.38

In 1922 the corresponding debt of the States had

grown to .....

\$1,162,648,000

The local governments to .....

7,754,196,000

Making a total of .....

\$8,916,844,000

Or a combined per capita of .....

\$80.25

It should be noted that in 1912 the State per capita was \$3.57; the municipal and local authorities per capita \$35.81. In 1922 the former had increased to \$8.64 and the latter to \$71.61, the total State debt having increased per capita at a little higher rate than the total local debt.

The total debt of the States had further increased in 1926 from \$1,162,648,000 to \$1,858,037,000, a further increase of approximately 62% between 1922 and 1926. It can safely be assumed that there was a corresponding increase in the bonded indebtedness of local authorities during the last four years, but unfortunately, the statistics are not available. Without doubt, therefore, the per capita indebtedness of States and local authorities combined is at present approximately \$125.00.

Turning now to the Canadian Provinces, the total indebtedness of all the Provinces of Canada in 1910 was \$82,430,901. This had increased in 1924 to \$701,607,000. Unfortunately there are no statistics available of the bonded indebtedness of the local government authorities of Canada before 1919, so that a comparison cannot be made over the period from 1910 to 1924. In 1919, however, the total indebtedness of municipalities stood at \$701,118,000, and this had increased in 1924 to \$989,191,000, making the total per capita indebtedness of Canada, for local and municipal purposes, approximately 50% greater than that of the States of the United States.

This, in a measure, is explained by the fact that in the States of the United States it is a common practice to finance improvements by a special levy raised in either one year, or in a short period of years; while in Canada similar improvements are financed by creating a debt through the issue of debentures, the retirement of which is over a much larger period of time, and the amount is necessarily reckoned as part of the funded debt.

### **(c) Causes of Growth of Revenue and Expenditure.**

Let us turn now from the growth of the cost of Government to the causes which led to that growth. These appear to be somewhat as follows:

First, without question, the growth of national wealth led to an expansion of useful services. This growth of wealth is seen at once from a study of the census reports of the Federal Government of the United States, and the statistics published by the Dominion Government. Between 1900 and 1922 the estimate of the Bureau of the Census shows that national wealth increased approximately  $3\frac{1}{2}$  times. In the same period the total taxation grew approximately 6 times. Another example may be taken from the State of Minnesota. While between the years 1912 and 1922 taxable values increased a little over 67%, the actual taxes collected from general property increased approximately 220%. The average levy over the whole State increased from 27.86 mills to 52.47 mills, and to just over 54 mills in 1927. There is no doubt, however, that taxes could easily grow out of proportion to the growth of wealth without becoming unduly burdensome.

The second cause for the increase of taxation was the demand on the part of the public for increased expenditure in connection





with social welfare. Of these items the following deserve special mention:

- (a) Education.
- (b) Highways.
- (c) Public Health.
- (d) Public Welfare and Charities.

**(a) Education.**

The growth in the cost of education may be illustrated in the following Table (Table IX), which shows the growth in the cost of public and elementary schools in States of the Union and certain Provinces of Canada between the years 1900 and 1925.

TABLE IX.

Total Expenditures in States and Provinces for Elementary and Secondary Education (including the amounts raised by local authorities.)

Province or State.	1900	Per capita.	1906-7	Per capita.	1924-5	Per capita.
	Amount.		Amount.		Amount.	
Minnesota .....	\$5,630,000	\$3.21	.....	.....	\$53,068,000	\$20.70
North Dakota ....	1,526,000	4.78	.....	.....	13,548,000	19.74
Wisconsin .....	5,493,000	2.65	.....	.....	46,239,000	16.51
Michigan .....	7,297,000	3.01	.....	.....	94,429,000	22.73
Colorado .....	2,793,000	5.18	.....	.....	26,417,000	25.92
Utah .....	1,094,000	3.96	.....	.....	9,384,000	19.05
British Columbia .....	.....	\$ 688,741	\$2.41	.....	7,863,089	14.99
Alberta .....	.....	1,259,107	6.79	.....	11,458,506	18.98
Saskatchewan ....	.....	1,448,915	5.62	.....	14,761,168	18.26
Manitoba .....	.....	2,729,917	7.95	.....	10,671,328	16.85
Ontario .....	.....	7,432,500	1.91	.....	45,030,685	15.94
Quebec .....	.....	4,338,552	1.53	.....	27,917,738	10.01

The above figures are State and Provincial, and local, and include Capital Expenditure. The average per capita cost for schools for the United States as a whole for the year 1925 was \$17.50.

If we turn from Public and High School education to the growth in the cost of higher education we find a similar increase in cost has taken place, and in addition the cost of Normal Schools and Training Schools for teachers have gone up in even greater proportion. This has come about in the United States and Canada because of the ever-increasing demand on the part of the public for the very best type of education.

**(b) Highways.**

In connection with Highways, the increase in expenditures over the same period has been on an enormous scale. Without question this is due to a large extent to the coming into general use of the automobile and the demand from city, town and country alike for increased suitable highway facilities. This demand would appear to be as much for scenic and pleasurable purposes as for the economic benefits which naturally come from good roads.

The following Table (Table X) shows the growth of expenditures on rural highways by Governments and Municipalities combined in a group of States of the Union from 1904-25.

TABLE X.

Growth of Expenditures on Rural Highways by Combined Governments and Municipalities for years 1904 to 1925.

States.	1904.	1914.	1924.	1925.
Minnesota .....	\$1,607,000	\$6,459,000	\$42,984,000	\$44,352,000
North Dakota .....	456,000	2,402,000	6,080,000	6,210,000
Wisconsin .....	1,924,000	9,880,000	41,695,000	31,281,000
Michigan .....	1,817,000	9,262,000	52,614,000	60,847,000
Colorado .....	635,000	1,938,000	11,639,000	10,520,000
Utah .....	158,000	803,000	5,127,000	7,274,000

The year 1904 is chosen because from that time to the present the automobile has been an increasingly important factor in promoting road construction. All the items include capital expenditures which vary greatly in different States. It will be noted that the expenditures on Highways during the period has increased, in some cases, as much as 2,500 per cent.

Unfortunately, the corresponding statistics for the growth of expenditures for highways, during the same period, are not available for Canada. Without question, however, the increase has been somewhat in the same ratio. If we take, for example, the expenditures in the Province of Alberta on roads and bridges, we find that the amount spent on current account more than doubled between the years 1916 and 1926. Since the inception of the Province in 1905 there has been spent on roads and bridges—

Capital Account .....	\$15,759,052
Income Account .....	8,910,387
Interest Account .....	6,102,836

Total.....	\$30,772,275
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Of this total approximately \$10,000,000 was spent in the last three years, or one-half as much was spent in the last three years as in the preceding eighteen years.

Further, after all this vast expenditure, the pressure on the part of the public for still larger expenditure in this regard is greater than at any previous time in the history of the Province, and it is feared that in most cases little thought is given to what is involved. Attention is respectfully called to the fact that since 1912 there has been spent on public highways by the Provinces of Canada an amount probably equal to the original cost of one of the great transcontinental railways, which had behind it not only the credit of a great financial corporation, but all the guarantees of the various Governments as well. Today individual Provinces are being urged to undertake highway building on a scale of costs commensurate with those which had the combined backing just mentioned. There is this further distinction to be noted also between railway building and highway building, that in the case of railways expenditures are based on possible earning capacity, while highways produce no direct income.

The following Table (Table XI) shows the growth of the number of automobiles in certain States and Provinces of Canada over a period of years. These figures show the real reason for the present enormous demands for expenditure on roads. As passenger cars represent 90% of the total, it may be stated, with confidence,











that commercial enterprise has a keen competitor in pleasure-seeking in the use of the roads.

TABLE XI.

Growth of Number of Automobiles in Certain States and Provinces,  
1910-1925.

States and Provinces.	1910.	1913.	1924.	1925.
Minnesota .....	.....	46,000	503,437	569,694
North Dakota .....	.....	15,187	117,346	144,972
Wisconsin .....	.....	34,346	525,211	594,386
Michigan .....	.....	54,366	867,545	989,010
Colorado .....	.....	13,000	213,247	240,097
Utah .....	.....	4,000	68,313	73,427
Ontario .....	4,230	20,700	308,693	344,112
Quebec .....	786	5,452	85,145	97,657
Manitoba .....	1,524	5,475	44,322	51,241
Saskatchewan .....	531	4,659	70,754	70,078
Alberta .....	423	3,773	51,140	54,357
British Columbia .....	1,026	6,138	48,626	56,608
All Canada .....	8,967	50,558	652,121	728,005

It is respectfully suggested on the part of your Commission that the facts of the cost of roads and the necessary taxation that must be imposed, if we are to continue our present program, should be forced upon public attention.

**(c) Public Health.**

**(d) Public Welfare and Charities.**

What has been said with regard to education and highways is also true in connection with the growth of expenditures on Public Health. At the beginning of the present century Public Health Departments were almost unknown and public expenditures, in connection with health matters, were negligible. The growth of knowledge in connection with Public Health matters brought about by the great forward movement in scientific medicine, which reached its fruition during the early years of the present century, resulted in demands for Public Health Departments, the control of contagious diseases and sanitation regulations connected therewith, involving expenditures on a very large scale. A few illustrations will suffice to justify the foregoing statement.

In the twelve years from 1912 to 1924 the cost to the State of Wisconsin of health and sanitation services increased from \$2,082,000 to \$8,754,029, while the expenditures on charities and public welfare increased from \$3,940,000 to \$9,390,884. The total expenditure on these two items, during that period, increased from \$6,022,000 to \$18,144,873, just over 300% within that period.

In our own Province we have a similar indication of the growth, but over a shorter period of years. The cost in 1916 for public welfare institutions and charitable grants was \$346,392; in 1926 the cost for the same item was \$1,546,475, an increase of over 400%. Here again it may be said that these expenditures have come about as the result of public demand.

With regard to at least three of the items which we have just been discussing, namely, Education, Public Health, and Public Welfare and Charities, it can be said, without fear of contradiction, that while the increase in connection with expenditure has been very great, the public compensation derived morally, socially and financially, has been on a scale which more than commensurates

for the expenditures made. No one will deny that the money spent on public education has led to an enormous increase in the wealth-producing capacity of the people.

Statistical studies of the growth of earning capacity with education, made by the Bureau of Education at Washington, covering the whole of the United States of America, shows that there is a definite ratio between the money spent on public education and the earning capacity of the people who received it.

With regard to Public Health, when it is remembered that the application of modern knowledge to Public Health matters, since 1890, has resulted in increasing the average length of human life by at least twenty years, the monetary value of that service becomes apparent; but that does not tell the whole story. The increased earning power of the working public, due to the complete elimination of diseases that were common thirty years ago, has probably added to the wealth-producing capacity of the modern civilized community an amount equal to that brought about by the increase of the period of life. Public authorities, however, who have to find the money for carrying on these essential services, are confronted with the fact that these great benefits have become a commonplace and are regarded by the public as a right without sensing the necessary financial obligations associated with them.

It is respectfully suggested that the need of public education in connection with these matters is very great. After all, Public Health Departments are nothing but co-operative organizations for the benefit of all; every dollar contributed by taxation to this service saves more than the corresponding amount to every individual in the State. The same remark applies to money spent on public welfare and charities. The care of the deaf, blind and insane, etc., as a public charge means large savings that otherwise have to be borne by individuals or by smaller communities. A similar remark applies to all public welfare institutions.

In the preceding we have dealt with the growth of expenditure under four of the major items, namely, Education, Highways, Public Health, and Public Welfare and Charities. In many of the other items of Government expenditure, increases have taken place over a corresponding period of years, but not in proportion to the increased cost in the items just mentioned.

Table XII is a summarized statement prepared by the Provincial Auditor showing the growth of expenditures in the Province of Alberta from 1916 to 1926 inclusive, the figures being shown in totals and on a per capita basis. It will be seen that the expenditures for debt charges in the Province within the period has more than quadrupled; the cost of education has nearly doubled; the cost of legislation and general government, while it has materially increased, has not increased in proportion to the other items mentioned; the cost of administration of justice has grown in about the same ratio as the cost of general government; the cost of agriculture, research and development has remained practically stationary; the expenditure on public welfare and charities has increased nearly five times; while that on highways, bridges and ferries on income account alone and without regard to interest charges has more than doubled. As the population has not greatly increased within







TABLE XII.  
GOVERNMENT OF THE PROVINCE OF ALBERTA  
**COMPARATIVE STATEMENT OF GROSS EXPENDITURE ON INCOME ACCOUNT**  
FOR THE YEARS 1916, 1921, 1923, 1925, 1926.

Particulars.	For the Years					Per Capita				
	1916	1921	1923	1925	1926	1916	1921	1923	1925	1926
Debt Charges .....	\$ 945,033.62	\$ 1,939,634.82	\$ 3,221,913.28	\$ 3,913,707.60	\$ 4,236,337.19	\$ 1.91	\$ 3.30	\$ 5.40	\$ 6.48	\$ 6.97
Education .....	1,125,922.61	2,549,850.46	2,245,854.40	2,163,773.12	2,178,879.37	2.27	4.33	3.77	3.58	3.59
Legislation and General Government .....	1,017,348.81	*2,019,711.13	†1,936,280.66	‡1,518,811.72	*1,744,611.71	2.50	3.43	3.25	2.53	2.87
Administration of Justice .....	685,613.02	1,264,219.66	1,466,696.28	1,043,626.59	997,835.78	1.38	2.15	2.46	1.73	1.64
Agriculture, Research and Development.....	645,608.88	624,914.44	533,450.32	659,307.61	644,392.66	1.30	1.06	.89	1.09	1.06
Public Welfare, Institutions and Charitable Grants .....	346,392.61	1,368,123.10	1,130,901.09	1,534,563.42	1,546,475.15	.70	2.32	1.90	2.54	2.55
Highways, Bridges and Ferries .....	241,073.53	838,702.30	455,733.97	509,216.39	545,795.88	.48	1.43	.77	.84	.90
<b>GROSS TOTAL.....</b>	<b>\$5,006,993.08</b>	<b>\$10,605,155.91</b>	<b>\$10,990,830.00</b>	<b>\$11,343,006.45</b>	<b>\$11,894,327.14</b>	<b>\$10.08</b>	<b>\$18.02</b>	<b>\$18.44</b>	<b>\$18.79</b>	<b>\$19.58</b>
<b>Less Revenue from Dominion Government.....</b>	<b>1,762,761.64</b>	<b>2,420,034.66</b>	<b>2,234,177.50</b>	<b>2,618,904.55</b>	<b>2,500,673.80</b>	<b>3.55</b>	<b>4.11</b>	<b>3.75</b>	<b>4.34</b>	<b>4.12</b>
<b>Net Expenditure from Local Sources.....</b>	<b>\$3,244,231.44</b>	<b>\$ 8,185,121.25</b>	<b>\$ 8,756,652.50</b>	<b>\$ 8,724,101.90</b>	<b>\$ 9,393,653.94</b>	<b>\$ 6.53</b>	<b>\$13.91</b>	<b>\$14.69</b>	<b>\$14.45</b>	<b>\$15.46</b>
<b>Estimated Population .....</b>	<b>496,525</b>	<b>588,454 *</b>	<b>596,100</b>	<b>603,758</b>	<b>607,584</b>					

\*Includes Elections.

†Includes Liquor Plebiscite.

‡This includes an item of \$159,948.38 which in Table XV is shown separately as commissions and fines paid municipalities, and refunds.

Edmonton, December 31, 1927.

The above comparative statement of Expenditure of the Province of Alberta has been prepared from the Public Accounts of the Province, and, in my opinion, correctly sets forth gross expenditure on Income Account for the years stated.

JAMES C. THOMPSON, C.A.,

Provincial Auditor.



the period, the per capita figures vary approximately in the same ratio as the totals. Within the period, from 1916 to 1926, the total cost of government has more than doubled.

Table XIII shows the corresponding growth in income between the years 1916 and 1926. In this Table we have divided the items of income under four heads, namely:

- (a) Dominion Government Grants and Subventions.
- (b) Income derived from what may strictly be designated as taxes.
- (c) Income from Fees, Fines and Licenses.
- (d) Miscellaneous Income, under which is included Income from the Liquor Act.

A study of the Table will show the growth of income on the various major items. Taking the per capita figures as the best indication of the growth of revenue it will be seen that under the general head of taxes there has been on the average a slight improvement on Succession Duties; the Corporation and Companies taxes have increased approximately two and three-quarter times; the Amusement tax has increased four and one-half times; the Automobile tax has increased approximately eight times; the Gasoline tax has also increased seventy-five per cent. since its inception in 1923; the Real and Personal Property tax increased steadily from the years 1916 to 1923 when it began again to decline, and will probably fall in 1927 below where it was in 1926. This decline in Real and Personal Property tax is mainly due to the revision of the assessment to a lower scale while the mill rate remains stationary, and to the operation of the Tax Recovery Act after 1922. The Educational tax, which is a special tax, has remained approximately stationary.

Taking the total under the heading "taxes" for the years 1916 to 1926, it will be seen that the per capita cost in 1926 (\$8.40) is about four times what it was in 1916 (\$2.18). This item, which includes income from motor vehicles, really constitutes what may be strictly regarded as taxes, all other items being from special sources of revenue, which in the main are optional with the persons from whom they are derived. It will be noted that the total for taxes in this Table (Table XIII) and the total for taxes in Table XVI differ, the difference being that in Table XIII we have included under "taxes" the revenue from automobile licenses; while in Table XVI that amount appears under the item "licenses." It is a matter of opinion in which way this latter item should be treated. Table XVI is so drawn because when commencing the inquiry the Commission deemed it advisable to draft a schedule of our Provincial revenues under definite headings. These schedules were submitted to the other Provinces and their revenues were allocated in accordance with the items submitted. By maintaining the arrangement in Table XVI we were able to get exact comparisons with other Provinces.

Further it will be seen from the Table that deducting the revenue received from the Dominion Government, the revenue from local sources has increased from \$4.97 in 1916 to \$15.49 in 1926, just over three times. Referring again to Table XII it will be seen that the corresponding figure for expenditures, after deducting



TABLE XIII.  
GOVERNMENT OF THE PROVINCE OF ALBERTA.  
**COMPARATIVE STATEMENT OF GROSS REVENUE ON INCOME ACCOUNT**  
FOR THE YEARS 1916, 1921, 1923, 1925, 1926.

Particulars.	For the Years.					Per Capita.				
	1916.	1921.	1923.	1925.	1926.	1916.	1921.	1923.	1925.	1926.
Dominion Government .....	\$1,762,761.64	\$2,420,034.66	\$2,234,177.50	\$2,618,904.55	\$2,500,673.80	\$3.55	\$4.11	\$3.75	\$4.34	\$4.12
Taxes:										
Succession Duties .....	\$ 152,023.46	\$ 177,414.51	\$ 160,033.71	\$ 459,659.39	\$ 253,611.25	\$ .31	\$ .30	\$ .27	\$ .76	\$ .42
Corporations and Companies .....	364,065.21	850,993.79	991,184.47	1,131,430.98	1,232,530.33	.73	1.45	1.66	1.87	2.03
Amusements .....	38,860.66	181,102.68	259,666.49	193,331.44	200,898.45	.08	.31	.44	.32	.33
Automobiles .....	130,534.95	718,531.30	742,573.50	954,411.85	1,153,235.85	.26	1.22	1.25	1.58	1.90
Gasoline .....			241,247.77	311,403.67	423,777.96			.40	.52	.70
Real and Personal Property .....	242,788.27	1,770,041.14	2,164,366.15	2,020,006.45	1,672,683.56	.49	3.01	3.63	3.45	2.75
Educational .....	154,418.24	127,255.27	240,917.89	198,805.88	165,789.84	.31	.22	.40	.33	.27
	\$1,082,690.79	\$3,825,338.69	\$4,799,989.98	\$5,269,049.66	\$5,102,527.24	\$2.18	\$6.50	\$8.05	\$8.73	\$8.40
Fees, Fines and Licenses .....	\$ 798,991.69	\$1,403,931.26	\$1,403,542.04	\$1,219,219.67	\$1,256,017.25	\$1.61	\$2.39	\$2.35	\$2.02	\$2.07
Miscellaneous:										
Liquor Act .....		\$ 250,755.40	\$1,054,318.50	\$1,631,043.81	\$1,941,332.61	.....	\$ .43	\$1.77	\$2.70	\$3.19
General .....	\$ 584,530.16	586,886.24	927,118.24	792,808.30	1,111,577.37	\$1.18	1.00	1.56	1.31	1.83
	\$ 584,530.16	\$ 837,641.64	\$1,981,436.74	\$2,423,852.11	\$3,052,909.98	\$1.18	\$1.42	\$3.32	\$4.01	\$5.02
<b>GROSS TOTAL .....</b>	<b>\$4,228,974.28</b>	<b>\$8,486,946.25</b>	<b>\$10,419,146.26</b>	<b>\$11,531,025.99</b>	<b>\$11,912,128.27</b>	<b>\$8.52</b>	<b>\$14.42</b>	<b>\$17.48</b>	<b>\$19.10</b>	<b>\$19.61</b>
<b>Less Revenue from Dominion Government.....</b>	<b>1,762,761.64</b>	<b>2,420,034.66</b>	<b>2,234,177.50</b>	<b>2,618,904.55</b>	<b>2,500,673.80</b>	<b>3.55</b>	<b>4.11</b>	<b>3.75</b>	<b>4.34</b>	<b>4.12</b>
<b>Net Revenue from Local Sources .....</b>	<b>\$2,466,212.64</b>	<b>\$6,066,911.59</b>	<b>\$8,184,968.76</b>	<b>\$8,912,121.44</b>	<b>\$9,411,454.47</b>	<b>\$4.97</b>	<b>\$10.31</b>	<b>\$13.73</b>	<b>\$14.76</b>	<b>\$15.49</b>
Estimated Population .....	496,525	588,454	596,106	603,758	607,584	.....	.....	.....	.....	.....

Edmonton, December 31, 1927.

The above comparative statement of Revenue of the Province of Alberta has been prepared from the Public Accounts of the Province, and, in my opinion, correctly sets forth gross revenue on Income Account for the years stated.

JAMES C. THOMPSON, C.A.,  
Provincial Auditor.





## V.—COMPARISON OF ITEMS OF REVENUE AND EXPENDITURES IN PROVINCES.

Let us now turn to a study of the comparative costs in the various Provinces of Canada of the various Government services as classified by the Commission. We shall couple with this a study of the income from the various sources of revenue. This is done in order that we may determine relatively the position of Alberta with regard to the major items of revenue and expenditure.

Before entering, however, into a discussion of the Tables arranged for comparative purposes, it is necessary to call attention to the following facts:

In the first place the comparisons are made on the basis of gross revenues and expenditures, and the comments associated with them relating especially to the per capita figures. The Commission recognizes that as between communities where the conditions of life and occupation are greatly different the per capita figures do not necessarily tell the whole story. This is especially true when making comparisons between large urban communities and rural communities. On the other hand when large areas are considered where the conditions of life are similar, such as in the Prairie Provinces of Canada and certain of the States of the Union, per capita figures give the best basis for comparison.

In the second place, the comparisons are necessarily made on the general assumption that in connection with specific items of revenue and expenditure corresponding practices prevail. Unfortunately this is not always the case. As an illustration, the method of dealing with certain phases of the administration of justice in the Province of Saskatchewan differs entirely from that in the Province of Alberta. In Alberta the Sheriffs are paid directly by the Government, and all fees connected therewith become part of the public revenue of the Province; while in Saskatchewan the Sheriffs are paid by means of fees collected in the district over which they exercise authority. These fees do not come into the possession of the Government, the result being that both the income and expenditures associated with the administration of justice shows a correspondingly less amount. The difference created by this item, and other similar items, in administration of justice as between the Provinces of Alberta and Saskatchewan amounts to approximately \$120,000 a year, being a difference of 15c per capita. It seemed best, however, to use the gross figures in working out our comparisons on the supposition that inequalities over a number of items would probably more or less tend to equalize each other, and on the whole our comparisons would be approximately correct.

In the third place, in comparing Alberta with the other Prairie Provinces it must be recognized that the area under settlement in the Provinces is very widespread, and the population consequently much more scattered, than in the other Provinces. It necessarily follows that most of the services rendered by the Government, such

as the administration of justice, building of highways, the support of charitable organizations, of necessity costs more per capita. Perhaps a fairer basis of comparison would be to take into consideration the area over which the Government exercises its authority, as well as the population. We would naturally expect, therefore, that in many of these services the per capita would be higher in the Province of Alberta than in some of the other Provinces.

Table XV is a summary of the expenditures in the various Provinces in relation to the services rendered by the Government, excluding publicly owned utilities. In addition to the amounts set opposite each item of expenditure for the year 1925 will be found the per capita cost of each item of expenditure. This Table is for gross expenditures, and in each item is included grants made to local Government authorities when a grant has been made from any particular item. These grants will be analysed separately under the next section of the report.

Comparing the six Provinces of Canada whose finances we have been using for comparative purposes, item by item, the following is apparent:

**(a) Debt Charges.**

Under Debt charges Alberta comes second among the Provinces in proportion to population, the total being \$6.48 per capita, British Columbia being first with \$10.33, Manitoba coming third with \$5.41, Saskatchewan fourth with \$3.28, Ontario fifth with \$3.22, and Quebec sixth with \$1.58. In the \$6.48 for Alberta is included \$1.60 per capita which for the year 1925 was required to pay debt charges against Government railways, the total amount for the year being \$964,066, and 37c on account of irrigation and drainage. Considering these as special obligations and deducting the two items from \$6.48, we get \$4.51 per capita as the amount of debt charges on account of the ordinary funded debt of the Province. (In British Columbia a similar deduction of 63c should be made for railways). With this deduction Alberta would rank third among the Provinces of Canada, coming after British Columbia and Manitoba.

**(b) Cost of Legislation.**

Under legislation the cost per capita in Alberta is highest of any of the Provinces of Canada, being 38c, British Columbia coming second with 37c; the other Provinces being considerably lower.

**(c) General Government.**

Under general government it will be seen that British Columbia ranks first with \$3.38, Alberta second with \$1.87, Ontario third with \$1.84; the others being somewhat lower than these three.

**(d) Education.**

Under cost of education to the Provinces, British Columbia comes first with \$6.09, Saskatchewan second with \$3.77, and Alberta third with \$3.59. In these figures are included not only the costs of grants made to the schools, but the administrative costs of the Department, the cost of universities, normal schools, technical education, school inspection, schools of agriculture, grants for the education of deaf and blind, etc., in fact, all items which could be





TABLE XV.

## SUMMARY OF SERVICES AND EXPENDITURES OF VARIOUS PROVINCES, EXCLUDING PUBLICLY OWNED UTILITIES, FOR YEAR 1925.

	British Columbia		Alberta		Saskatchewan		Manitoba		Ontario		Quebec	
	Per capita		Per capita		Per capita		Per capita		Per capita		Per capita	
A. Debt Charges .....	\$ 5,417,841.65	\$10.33	\$ 3,913,707.60	\$6.48*	\$2,663,597.41	\$3.28	\$ 3,423,935.05	\$5.41	\$ 9,087,096.88	\$3.22	\$ 4,415,438.49	\$1.58
B. Legislation .....	195,382.63	.37	229,518.85	.38	202,318.94	.25	146,393.79	.23	694,295.60	.24	719,657.07	.26
C. General Government .....	1,770,522.42	3.38	1,129,367.49	1.87	1,194,462.47	1.48	876,455.12	1.38	5,185,958.53	1.84	2,855,419.04	1.02
D. Education .....	3,197,088.74	6.09	2,163,773.12	3.59	3,044,009.94	3.77	2,095,240.93	3.31	9,140,670.93	3.23	2,916,504.89	1.05
E. Administration of Justice .....	859,185.66	1.64	1,043,611.59	1.73	1,094,656.02	1.36†	541,034.97	.85	1,847,649.68	.65	1,965,683.72	.71
F. Agricultural Research and Development .....	590,063.67	1.12	659,307.61	1.09	387,340.17	.48	275,588.75	.43	2,275,752.54	.81	1,521,000.00	.54
G. Public Welfare, Institutions and Charitable Grants .....	3,547,221.77	6.76	1,534,563.42	2.54	1,600,897.13	1.98	1,822,530.14	2.88	8,498,765.44	3.01	2,425,242.40	.87
H. Highways, Bridges, Ferries, etc.....	2,438,950.73	4.65	509,216.39	.84	1,141,946.24	1.41	290,361.21	.46	3,307,994.54	1.17	4,152,717.55	1.49
I. Commissions and Fines paid to Municipalities and Refunds ....	19,686.62	.03	159,940.38	.27	155,509.02	.19	53,686.07	.09	.....	.....	.....	.....
J. Natural Resources, General Administration Expenses .....	1,678,673.75	3.20	.....	.....	.....	.....	.....	.....	3,272,915.46	1.16	2,657,726.84	.95
<b>TOTAL.....</b>	<b>\$19,714,617.64</b>		<b>\$11,343,006.45</b>		<b>\$11,474,737.34</b>		<b>\$ 9,525,226.03</b>		<b>\$43,311,099.60</b>		<b>\$23,629,390.00</b>	
<b>Per capita .....</b>	<b>\$37.57</b>		<b>\$18.79</b>		<b>\$14.20</b>		<b>\$15.04</b>		<b>\$15.33</b>		<b>\$8.47</b>	

## NOTE:

(A) The Provinces of Ontario and Manitoba furnished the distribution and figures applicable to their Provinces.

(B) In Ontario, under "Debt Charges", interest for Hydro-Electric purposes, amounting to \$8,151,078.90, has been deducted from the figure supplied by that Province.

\*Includes \$1.60 for railways and 37c for irrigation and drainage, making a net per capita of \$4.51.

†In comparing with Alberta, 15c should be added as the per capita cost of items for which fees are collected in each Province, but which in Saskatchewan are paid direct to persons concerned and are not taken into revenue as in Alberta.





with any reason classed as coming under education. With regard to the figures from British Columbia, an explanation should be made that in British Columbia many of the school districts are more or less directly controlled by the Government and are not financed locally in the same way as in the other Provinces of Canada, for example, British Columbia spent in the year under discussion approximately \$138,000 in the maintenance and repairs of school buildings, and \$35,000 in the conveyance of children to central schools. Considering the variation in social and other conditions in the various Provinces these figures present a very striking uniformity.

**(e) Administration of Justice.**

Here it will be seen that the cost per capita is highest in the Province of Alberta, this being \$1.73, British Columbia coming next at \$1.64, and Saskatchewan third at \$1.36; Manitoba, Ontario and Quebec being very much lower than the Western Provinces. The reason for this is also quite clear. In the two eastern Provinces, and to a considerable extent in Manitoba, greater responsibility is thrown upon the local Government units. For example, court houses, gaols, and the expense of the administration of the lower courts are maintained by the counties; while in the three Western Provinces all these corresponding functions are performed by the Government. We will refer to this again in discussing the amount of support given to local authorities by the Provincial Governments.

**(f) Agriculture, Research and Development.**

It will be seen that British Columbia ranks highest in per capita cost at \$1.12, Alberta comes second with \$1.09, Ontario third with 81c, Quebec fourth with 54c, Saskatchewan fifth with 48c, and Manitoba sixth with 43c. It will be seen that in expenditures for the promotion of agriculture and research Alberta far exceeded that of any other Western Province.

**(g) Public Welfare Institutions and Charitable Grants.**

Under this item of expenditure per capita British Columbia ranks first with \$6.76, Ontario second with \$3.01, Manitoba third with \$2.88, Alberta fourth with \$2.54, Saskatchewan fifth with \$1.98, Quebec sixth with 87c. A study of the details, which have been prepared by the Commission, show that the payments for Mothers' Allowance in British Columbia is nearly double that of Alberta, more than double that of Saskatchewan, and over 10% greater than Manitoba. Its grants to hospitals is more than double that in Alberta, and more than three times that of Saskatchewan and Manitoba. The cost of tuberculosis is more than three times that of the next highest Province, Alberta, and more than five times that of Saskatchewan, and approximately nine times that of Manitoba. The care of incurables is nearly four times that of Alberta, ten times that of Saskatchewan, and half as much again as that of Manitoba. Other large items of expenditure in the Province of British Columbia not found in the other Provinces are grants to municipalities under the Municipalities Aid Act, 1921, of \$391,000. In addition, under this head large grants are made by the Government of British Columbia to municipalities and other public bodies of a portion of the profit from the sale of

liquor. This accounts for the very much larger expenditure from the Province of British Columbia than from the other Provinces of Canada. The question of these grants will be discussed later in relation to the grants made to assist in the municipal and local enterprises.

**(h) Highways, Bridges and Ferries.**

It will be seen that here again the expenditure of British Columbia per capita is first, being \$4.65, Quebec comes second with \$1.49, Saskatchewan third with \$1.41, Ontario fourth with \$1.17, Alberta fifth with 84c, Manitoba sixth with 46c. These items, as already stated, are for current revenue only. As the capital expenditure on roads is high in all the Provinces a comparison of total expenditures will be made later involving both capital and current moneys being spent by the various Provinces.

**(i) Commissions and Fines Paid to Municipalities.**

No comment is necessary under this section.

**(j) Natural Resources, General Administration Expenses.**

These items apply only to Provinces which possess their natural resources and benefit directly from the income derived therefrom.

The total per capita expenditure for British Columbia is \$37.57, Alberta \$18.79, Saskatchewan \$14.20, Manitoba \$15.04, Ontario \$15.33, and Quebec \$8.47. As stated previously interest charges in Alberta include an amount of \$1.60 per capita for railroads, and 37c for irrigation and drainage. Deducting this amount from \$18.79 reduces the per capita to \$16.82. In British Columbia the railway debt charges bear also an item equivalent to a per capita charge of 63c, taking this from \$37.67 leaves the per capita, independent of railway charges, in British Columbia \$36.94. The total per capita charges, therefore, of British Columbia come first, Alberta second, Ontario third, Manitoba fourth, Saskatchewan fifth, Quebec sixth.

Turning now to Table XVI, which is the statement of the gross revenue of the various Provinces, excluding self-supporting utilities. This Table is an analysis of the revenue from specific sources worked out on a per capita basis, and is a comparative statement for the six Provinces that we have been considering. Attention is called to the fact that this Table differs in its arrangement from Table XIII. While the totals for Alberta correspond with the total for revenue in Table XIII, the items have been arranged differently in order to be in accord with the general scheme of the other Provinces. The main difference, however, is that in Table XIII the income from motor vehicles is placed under taxes, in Table XVI the income from motor vehicles is placed under licenses.

Turning now to the per capita at the bottom of the Table it will be seen that British Columbia comes first in collecting revenue in the Provinces; Alberta comes second, Ontario third, Manitoba fourth, Saskatchewan fifth, and Quebec sixth. Of the \$19.10 per capita revenue in Alberta it will be seen from Table XV that \$6.48 was used to pay debt charges, 38c for legislation, \$1.87 for the carrying on of general Government, \$3.59 went to education, \$1.73 to the administration of justice, \$1.09 to agriculture, research and





TABLE XVI.

## STATEMENT OF GROSS REVENUE OF VARIOUS PROVINCES, EXCLUDING SELF-SUPPORTING UTILITIES, FOR YEAR 1925.

	British Columbia		Alberta		Saskatchewan		Manitoba		Ontario		Quebec	
	Per capita		Per capita		Per capita		Per capita		Per capita		Per capita	
Dominion of Canada: Grants, Subsidies, Subvention and School Land .....	\$	818,424.26	\$	2,618,904.55	\$	3,431,363.41	\$	1,820,928.51	\$	3,197,717.11	\$	3,404,685.61
Property Taxes .....		3,190,676.00		2,218,812.33		3,101,658.04		1,383,683.72				
Other Taxes .....		7,646,298.15		2,036,425.76		1,081,104.46		2,511,424.56		15,134,231.35		9,117,070.85
Licenses .....		3,245,230.99		1,205,511.48		1,542,496.57		828,121.29		6,451,785.26		8,135,413.69
Fees .....		1,361,762.29		975,201.36		1,007,142.85		723,434.19		2,098,219.87		1,761,359.44
Fines and Penalties .....		188,602.74		117,163.92		155,806.52		112,221.67		500,604.77		76,603.14
Profits from Trading Activities, etc..... (A)		3,247,729.52		1,631,043.81	(B)	18,468.43		753,203.26		939,685.89		2,400,000.00
Miscellaneous Revenues .....		238,229.44		63,852.49		126,949.66		31,560.00		1,222,158.07		581,826.33
Refund of Expenditures .....		41,291.31		246,183.42		27,879.04		230,409.07		1,691,453.63		42,020.94
Revenue Producing Assets .....		1,293,253.23		417,926.87		809,689.02		1,428,193.72		7,215,868.66		1,836,485.05
TOTALS .....		\$21,271,497.93		\$11,531,025.99		\$11,302,558.00	(C)	\$ 9,823,179.99		\$38,451,724.61		\$27,355,464.95
Population .....		524,692		603,758		808,336		633,268		2,825,246		2,788,190
Per Capita .....		\$40.54		\$19.10		\$13.98		\$15.51		\$13.61		\$9.81

## NOTE:

- (A) Including revenue from Natural Resources by sales.  
 (B) Province of Saskatchewan revenues from Liquor Profits now increased under Government control.  
 (C) Manitoba revenues estimated. Owing to change in fiscal year actual figures available for eight months only.  
 (D) In Ontario the earnings, represented by interest from Hydro-Electric have been eliminated and balance of interest \$2,034,244.77 taken in as revenue from revenue producing assets.

## METHOD USED TO ARRIVE AT POPULATIONS OF VARIOUS PROVINCES:

**British Columbia**—Statement of "Analysis of Provincial Revenue" shows total "Income Revenue" and "Per capita"—Divided amount of Revenue by per capita.  
**Alberta, Saskatchewan and Manitoba**—Four-fifths of the increase in population between years 1921 and 1926, shown in report of Dominion Bureau of Statistics for the year 1926.  
**Ontario**—Public accounts of Province of Ontario, page 23, shows the annual grant per capita as \$2,260,197.20—Divided figure by 80c.  
**Quebec**—"Municipal Statistics for the civil year 1925" of the Province of Quebec, Page VII.





TABLE XVII.  
PER CAPITA INCOME DERIVED FROM VARIOUS SOURCES OF REVENUE IN SIX OF THE  
PROVINCES OF CANADA FOR 1925.  
REVENUE.

Item of Revenue.	British Columbia	Alberta	Saskatch- ewan	Manitoba	Ontario	Quebec
Grants, Subsidies and Subventions .....	\$ 1.56	\$ 4.34	\$ 4.25	\$ 2.87	\$ 1.13	\$ 1.22
Taxation .....	20.65	7.04	5.18	5.58	5.36	3.27
Licenses .....	6.19	2.00	1.91	1.31	2.28	2.92
Fees .....	2.60	1.62	1.24	1.14	.74	.63
Fines and Penalties .....	.36	.19	.19	.18	.18	.03
Profits from Trading Activities .....	6.19	2.70	.02	1.19	.33	.86
Miscellaneous .....	.45	.11	.16	.05	.43	.20
Refunds of Expenditure .....	.08	.41	.03	.36	.60	.02
Revenue Producing Assets .....	2.46	.69	1.00	2.26	2.56	.66
Totals (per capita) .....	\$40.54	\$19.10	\$13.98	\$15.51	\$13.61	\$ 9.81





TABLE XVIII.  
COMPARATIVE STATEMENT OF THE PER CAPITA COST FOR VARIOUS SERVICES IN SIX OF THE  
PROVINCES OF CANADA FOR 1925.

EXPENDITURE

Item of Expenditure	British Columbia	Alberta	Saskatch- ewan	Manitoba	Ontario	Quebec
Debt Charges .....	†\$10.33	\$ 6.48*	\$ 3.28	\$ 5.41	\$ 3.22	\$ 1.58
Legislation .....	.37	.38	.25	.23	.24	.26
General Government .....	3.38	1.87	1.48	1.38	1.84	1.02
Education .....	6.09	3.59	3.77	3.31	3.23	1.05
Administration of Justice .....	1.64	1.73	1.36	.85	.65	.71
Agricultural Research and Development .....	1.12	1.09	.48	.43	.81	.54
Public Welfare, Institutions and Charitable Grants.....	6.76	2.54	1.98	2.88	3.01	.87
Roadways, Bridges, Ferries, etc. ....	4.65	.84	1.41	.46	1.17	1.49
Fines and Penalties paid to Municipalities and Refunds .....	.03	.27	.19	.09	.....	.....
Natural Resources, General Administration Expenses.....	3.20	.....	.....	.....	1.16	.95
Totals (per capita) .....	\$37.57	\$18.79	\$14.20	\$15.04	\$15.33	\$ 8.47

†This item includes 63c for railways, leaving a net debt charge of \$9.70.

\*This item includes \$1.60 for railways and 27c for irrigation, etc., leaving a net debt charge of \$4.51.



TABLE XIX.

## ANALYSIS OF THE DISTRIBUTION OF THE TOTAL PER CAPITA REVENUE OF SIX OF THE PROVINCES OF CANADA IN RELATION TO VARIOUS ITEMS OF PUBLIC SERVICE.

PER CAPITA EXPENDITURE (1925)

	Per capita Revenue	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	Deficit	Surplus
British Columbia .....	\$40.54	*\$10.33	\$ .37	\$ 3.38	\$ 6.09	\$ 1.64	\$ 1.12	\$ 6.76	\$ 4.65	\$ .03	\$ 3.20	.....	\$ 2.97
Alberta .....	19.10	*6.48	.38	1.87	3.59	1.73	1.09	2.54	.84	.27	.....	.....	.31
Saskatchewan .....	13.98	3.28	.25	1.48	3.77	1.36	.48	1.98	1.41	.19	.....	\$ .22	....
Manitoba .....	15.51	5.41	.23	1.38	3.31	.85	.43	2.88	.46	.09	.....	.....	.47
Ontario .....	13.61	3.22	.24	1.84	3.23	.65	.81	3.01	1.17	.....	1.16	1.72	.....
Quebec .....	9.81	1.58	.26	1.02	1.05	.71	.54	.87	1.49	.....	.95	.....	1.34

(A) Debt Charges.

(B) Legislation.

(C) General Government.

(D) Education.

(E) Administration of Justice.

(F) Agricultural Research and Development.

(G) Public Welfare, Institutions and Charitable Grants.

(H) Highways, Bridges, Ferries, etc.

(I) Commissions and Fines paid to Municipalities and Refunds.

(J) Natural Resources, General Administration Expenses.

\*See footnote, Table XVIII.



TABLE XX.

**COMPARATIVE STATEMENT OF THE TOTALS OF ORDINARY REVENUE, EXCLUDING PUBLICLY-OWNED UTILITIES OF VARIOUS PROVINCES OR STATES AND LOCAL AUTHORITIES WITHIN THEM**  
FOR THE YEAR 1925, WITH PER CAPITA CHARGE.

	PROVINCIAL.			MUNICIPAL		SCHOOL DISTRICTS		TOTALS	
	Population.	Total Revenue.	Per Capita.	General Purposes.	Per Capita.	School Purposes.	Per Capita.		Per Capita
British Columbia .....	524,692	\$21,271,497	\$40.54	\$12,508,185	\$23.84	\$ 5,105,417	\$ 9.73	\$ 38,885,100	\$74.11
Alberta .....	603,758	11,531,025	19.10	11,481,353	19.01	8,668,660	14.36	31,681,040	52.47
Saskatchewan .....	808,336	11,302,558	13.98	12,568,790	15.55	10,473,770	12.96	34,345,118	42.49
Manitoba .....	633,268	9,823,179	15.51	10,982,412	17.34	7,468,468	11.79	28,274,061	44.64
Ontario .....	2,825,246	38,451,724	13.61	86,654,062	30.67	36,382,456	12.87	161,488,243	57.15
Quebec .....	2,788,190	27,355,464	9.81	†	.....	16,693,295	5.98	.....	.....
Minnesota .....	2,611,000	55,822,217	21.38	61,049,346	23.38	42,255,784	16.18	159,107,347	60.93
North Dakota .....	641,000	17,221,810	26.87	*	.....	*18,391,437	27.19	35,614,237	55.56
Wisconsin .....	2,846,000	40,313,452	14.17	73,900,295	25.96	37,381,332	13.13	151,595,079	53.26

NOTE: These figures represent revenue as collected. The total cost of Municipalities and Schools would be increased by the addition of Government Grants.

†Total Revenue for Quebec not available.

\*Total Revenue both Municipal and School.





development, \$2.54 to public welfare institutions and charitable grants, 84c to highways, bridges and ferries, 27c to commissions and fines paid to municipalities, leaving a balance of 31c representing the surplus on income for the year. Again attention is called to the fact that while in Table XIII the per capita in the year 1925 of what is called taxes is \$8.72, and in Table XVI this is shown for the year 1925 as \$7.04 (namely, \$3.67 for property tax, and \$3.37 for other taxes), the difference as previously stated being due to the fact that in one is shown the per capita item for motor vehicles and the other does not show this item. Taking the items, property taxes and other taxes combined, in Table XVI, the per capita from this source in British Columbia is \$20.65, in Alberta it is \$7.04, in Saskatchewan \$5.18, in Manitoba \$6.15. Ontario and Quebec not having any general property tax, the amounts are necessarily smaller, representing only various business taxes. This, as will be seen later, is offset by the fact that the municipalities carry a heavier responsibility.

In order to make clear these comparisons we have prepared the following Tables: Table XVII, which shows the revenue derived from various sources on a per capita basis only; Table XVIII, which shows the corresponding expenditures on a per capita basis; and Table XIX, showing the per capita expenditures under the various items in relation to the total per capita revenue.

The figures contained in these Tables will be referred to again under the next following section of the report; they jointly provide, however, a complete analysis of the relative per capita cost of the various items of government in the six Provinces whose finances are being studied.

The two following Tables (Table XX and XXI) are included in order to show the division of the total costs of Government in the Canadian Provinces and States considered among the various public spending authorities.

Table XX shows the total ordinary revenue of Provincial and State Governments along with the expenditures of local authorities, including school districts, with the total per capita cost. In this Table only three States are used in the comparison, as it was found exceedingly difficult to get accurate municipal statistics. We have taken only those where there was a certainty of reasonable accuracy. Further, the subventions received from the Dominion Government for the Canadian Provinces and from the Federal Government for the American States are included. These figures indicate that the total ordinary revenue for all purposes in the Provinces of Canada are on the average slightly lower than the corresponding revenues in the States with which they are compared, the exception being the Province of British Columbia.

Comparing the total income of local authorities with those of Provincial and State Governments it will be seen that in British Columbia the income of the Province is greater than the total income of local authorities. In Alberta the income of the local authorities is 1.8 times that of the Provincial Government; in Saskatchewan 2.4; in Manitoba 1.9; in Ontario 3.2; in Minnesota 1.9; in North Dakota approximately the same, and in Wisconsin 2.7.

It will be seen that in the Provinces of Manitoba, Alberta and Saskatchewan, in Canada, and in the States of North Dakota and Minnesota, in the United States, where a tax is imposed upon general property for provincial and state purposes, the amount raised by the local authorities is much smaller than in the Province of Ontario, and the State of Wisconsin, where a general property tax is imposed exclusively by the local authorities. This clearly shows that where the general property tax is not imposed by the central authority a greater tax is necessarily imposed by the local authorities; the burden being shifted from one taxing authority to another taxing authority, the weight, however, being borne by the same shoulders, the taxpaying public.

TABLE XXI.

Total Per Capita Revenue Obtained for Government Purposes in Certain Provinces and States (including Revenue Raised for Local Purposes).

	Prov., per capita and local.	Per capita, Federal.	Total.
British Columbia .....	\$72.55	\$40.06	\$112.61
Alberta .....	48.13	40.06	88.19
Saskatchewan .....	38.24	40.06	78.30
Manitoba .....	41.77	40.06	81.83
Ontario .....	56.02	40.06	96.08
Minnesota .....	59.91	39.44	99.35
North Dakota .....	53.75	39.44	93.19
Wisconsin .....	52.47	39.44	91.91

In the first column of Table XXI will be found the per capita income for the Provinces and States concerned; together with the income of local authorities, less the per capita received by subventions from federal authorities. The first five items in the second column give the per capita income of the Dominion of Canada, ascertained by dividing the total revenue of the Dominion Government by the total population of the country, the amount being \$40.06. The last three items in the same column give the per capita revenue of the Federal Government of the United States of America, ascertained by dividing the total national income by the total population of the United States. The first five items in the third column are obtained by adding together for the Provinces of Canada the per capita income of the Provinces, and the per capita income of the Dominion as a whole. The last three items are obtained by adding together the per capita income of the three States concerned and the per capita income of the whole of the United States. While recognizing that these figures do not give an exact comparison between the incomes required for Government purposes between the States and the Provinces, nevertheless, they do point to the definite fact that the average taxation for the Provinces of Canada is somewhat below that of the corresponding States of the Union. This is especially true of Alberta, Saskatchewan and Manitoba.









## VI.—A STUDY OF THE SITUATION IN ALBERTA IN RELATION TO MUNICIPALITIES, SCHOOLS, ETC.

We now come to a study of the relation of the Provincial Government of Alberta to the municipalities and the tax paying public. We shall try to analyse the representations made by the local public authorities and by the representatives of taxpayers in relation to the questions submitted to the Commission by the Government with regard to the equalization of taxes. It appears to us that the two questions to be answered are:

1. Is the Provincial Government collecting taxes for Provincial uses which might be considered as belonging specifically to the municipalities?
2. Is any one section of the public treated unfairly with respect to taxation in comparison with another section?

We shall deal with: 1. "Is the Provincial Government collecting taxes for Provincial uses which might be considered as belonging specifically to the municipalities?"

Turning to the sources from which revenue is collected, as set forth in Table I, and to the discussion of the items in Table I, as set out in Section 3, page 22, of this report, it would appear to be generally accepted that all taxes from corporations of every kind constitute a legitimate source of revenue for the Province, and that so long as the local authorities have the right to assess real property, owned by such corporations in their communities, they have no ground of complaint. For every tax in the Province of Alberta imposed upon corporation a corresponding tax is imposed in all the Provinces of Canada, and in all the States of the Union whose methods we have studied. In addition four of the eight representative States and Provinces, shown in Table I, collect a tax on Sleeping Car Companies, which is not collected in the four Western Provinces of Canada.

With regard to the other items (1 to 16 in Table I), the only item of taxation which is being collected in the Province of Alberta and not in at least some of the other Provinces, is the item of Unearned Increment, while in two Provinces a graduated Income Tax is imposed which is not imposed in Alberta, Saskatchewan, Ontario and Quebec. It would seem, therefore, to be a reasonable conclusion that so far as the sources of income are concerned, Alberta is not collecting from sources other than those generally well-recognized as legitimately belonging to the Province. The only question, therefore, is whether a fair distribution of monies collected is being made. We deem it necessary, therefore, to tabulate the grants made by the Province to local authorities side by side with corresponding grants made by other Provinces and States, and in addition the cost of services where joint responsibility is recognized, such as administration of justice, in order to determine whether either in individual cases or on the whole the local authorities of Alberta are being unfairly dealt with.



A survey of Provincial and State grants and aides to municipalities indicates that these grants and aids are made mainly in connection with schools, highways, public welfare and charities. There also arises for consideration the question of the distribution of the cost of the administration of justice as between Province and States, on the one hand, and local public authorities on the other. In order to bring this out clearly the following Tables have been prepared:

Table XXII—Total cost of Schools; amount of Government grants; percentage borne by the State; per capita cost to the State.

Table XXIII—Government Aid to Highways.

Table XXIV—Method of Financing Highways.

Table XXV—Government Aid to Public Welfare and Charities.

Table XXVI—Per Capita Cost of Administration of Justice to Provinces and States.

Table XXVII—A summary of the totals of these grants.

Table XXVIII—Total State and Provincial support to Education, including Grants to Schools.

Table XXIX—Cost of Higher Education.

(All of these Tables will be found to be worked out on a per capita basis.)

TABLE XXII.

Total cost of schools; amount of Government grants; percentage borne by the State; per capita cost to the State.

	Total cost of schools	Amt. of Govt. grants	% borne by State.	Per capita cost to the State
Minnesota .....	\$53,668,000	\$ 9,754,561	18.4	\$3.73
North Dakota .....	13,548,000	1,654,799	12.2	2.58
Wisconsin .....	46,239,000	5,277,906	11.2	1.85
Michigan .....	94,429,000	15,773,928	16.8	3.68
Colorado .....	26,417,000	842,097	3.0	.81
Utah .....	9,384,000	3,649,503	38.8	7.24
British Columbia .....	7,863,089	2,188,492	27.7	4.17
Alberta .....	11,548,506	1,158,474	10.0	1.92
Saskatchewan .....	14,761,168	1,985,475	13.4	2.46
Manitoba .....	10,671,328	1,193,646	11.2	1.88
Ontario .....	45,030,685	3,975,828	8.8	1.41
Quebec .....	27,917,738	1,482,823	5.4	.53

Table XXII is self-explanatory. A glance at this Table shows that the average per capita grants to schools made by the Canadian Governments are lower than those made by State Governments; also that the percentage borne by the States on the whole is more than by the Provinces; the single exception in so far as Canada is concerned, is the Province of British Columbia. Striking an average of the Provinces as a whole, it will be seen that the average is 2.06, or omitting British Columbia, the condition of which is very exceptional, the average of the other five Provinces is 1.64. This seems to indicate that the grants made to schools by the Province of Alberta are not abnormally small, as has been suggested in some of the representations made to the Commission.

It should also be pointed out that in the States where Agricultural Schools exist these are generally supported by county authorities; while in Alberta the cost of these schools is borne entirely





by the Provincial Government—this amounts to \$111,808, or 18c per capita, in addition to the \$1.92 in the Table above, making a total per capita cost of schools to the Provincial Government of \$2.10.

TABLE XXIII.

## Government Aid to Highways.

		Per capita income.	Per capita capital.	Total per capita.
Minnesota .....	\$15,472,630	\$5.93	.....	.....
North Dakota .....	1,566,052	2.43	.....	.....
Wisconsin .....	10,563,246	3.71	.....	.....
Michigan .....	19,321,522	4.51	.....	.....
Colorado .....	5,493,245	5.28	.....	.....
Utah .....	2,173,257	4.31	.....	.....
British Columbia ...	2,438,950	4.65	.....	.....
Alberta .....	509,216	.84	\$2.57	\$3.41
Saskatchewan .....	1,141,946	1.41	.96	2.37
Manitoba .....	290,361	.46	1.26	1.72
Ontario .....	3,307,994	1.17	.....	.....
Quebec .....	4,152,717	1.49	.....	.....

Table XXIII shows the amount granted from income account by the same Governments to highways, with the per capita in each case. On income account only it will be seen that the American States average higher than the Canadian Provinces.

However, in making a comparison of road expenditures it is necessary to take into consideration not only the amount spent on income account, but the permanent responsibilities which all the Governments assume with regard to capital expenditure. Turning to Table XXIV it will be seen that for capital expenditure in the States of the United States of America the State Governments bear 49.5% of the capital expenditure for roads; while the Local authorities assume 50.5%. In other words, the State and Local authorities divide the capital expenditure equally between them. In certain States of the Union the Local authorities bear the major responsibilities, *e.g.*, in Minnesota, 85.3% of the capital expenditure is borne by the Local authorities, and 14.7% by the State; in Michigan the situation is almost reversed, 81.4% is borne by the State, and 18.6% by the Local authorities. The average, however, for the whole of the States is as stated above.

Now, when we come to the Provinces of Canada the difference in method is equally marked. In Ontario 80% of the cost of main highways is borne by the Government, and 20% by the Local authorities; 50% of the cost of county roads is borne by the Government and 50% by the Local authorities, and 30% of the cost of local roads is borne by the Government and 70% by the Local authorities.

In the Province of Manitoba, prior to the year 1925, the whole of the good roads program was financed by the municipalities, the Government assisting with grants according to the nature of the work undertaken. Since 1925 the Government of Manitoba has assumed responsibility for the construction of Provincial trunk highways, charging one-third of the cost back to the municipality, thus bearing 66% of the capital burden and bearing the total maintenance cost of such highways. The cost of district roads and local roads are still borne by the Local authorities, with some small assistance from the Government.

In the Province of Saskatchewan apparently the Highways Department and the Municipal authorities work independently of each other, and information is not available as to their mode of procedure. The Highways Act gives the Highways Department authority to spend moneys in such way as they deem fit within the vote made for the year, and your Commission is not aware of the method of allocation.

In the Province of Alberta a different situation prevails; the total capital cost and maintenance of Provincial highways is undertaken by the Provincial Government, and in the case of district highways 50% of the cost is borne by the Government by way of grants to the Local authorities on an approved scheme, to which the Local authorities must contribute at least an equal amount. The cost of construction and maintenance of local roads is borne entirely by the Local authorities.

During the two years 1925 and 1926 there was spent on capital account by the Government of Alberta.....\$3,119,192.00  
on the building of highways, being a per capita cost  
per year of ..... 2.57

In the same two years the Province of Saskatchewan spent .....\$1,605,139.00  
being an annual per capita charge of ..... .96

In the Province of Manitoba during the same two years there was spent on capital account approximately .....\$1,595,000.00  
being an annual per capita charge of ..... 1.26

The total per capita expenditure on income and capital account, therefore, for these Provinces was:

Alberta .....	\$3.41
Saskatchewan .....	2.37
Manitoba .....	1.72

In addition, consideration must be given to the fact that there has been spent by the Province of Alberta approximately three million dollars more on capital account than by the Province of Saskatchewan; and at least seven million dollars more than by Manitoba. If the annual interest charges, therefore, were added to the total it would place Alberta in a still more favourable position as regards responsibility assumed for highways.

These total per capita figures have only been worked out for the three Prairie Provinces, as information was not available in the other Provinces.

The following Table (Table XXIV) will be found interesting as showing the method of financing highway construction in a group of States and in the United States as a whole. Recognizing the facts already pointed out in this Report, that the enormous costs of modern roads is due largely to the automobile and the use of the roads for general transportation purposes in competition with railroads, nearly all the States of the Union have definitely decided to make the users of a modern transportation equipment upon the highways, pay a fair portion of the cost of construction and maintenance. In Table XXIV will be seen (for 1925) the proportion of the revenue devoted to highways contributed by the







Federal, State and Local authorities; also the proportion raised by means of a general property tax, in comparison with that raised from gasoline and motor vehicle taxes. While the proportion raised by the latter method is large, a reference to the Table will show that it is only a small part of the total borne by the general taxpayer due to the demand for modern highways.

This Table shows that while the sources of revenue for road purposes vary greatly in the various States, in the United States as a whole 53% of the cost of current expenditure, and 50.5% of the bonded indebtedness was borne by Local authorities in 1925. This Table indicates the general trend of practice in the United States.

TABLE XXIV.

## Method of Financing Highways.

State or Province.	% of cost borne by Federal, State and Local authorities.			% from general property and for gasoline and motor.		Capital expenditures.	
	Fed.	State.	Local.	Prop. tax.	Gas & Motor tax.	% by State.	% by Local.
Minnesota .....	6.1	45.6	48.3	53.2	38.0	14.7	85.3
North Dakota .....	16.1	9.8	71.4	62.6	6.6	.....	.....
Wisconsin .....	4.7	20.8	74.5	71.4	*19.6	.....	100.0
Michigan .....	9.1	41.2	49.7	36.1	31.1	81.4	18.6
Colorado .....	16.0	53.3	30.7	42.1	17.5	95.9	4.1
Utah .....	18.0	33.0	49.0	33.9	26.4	100.0	.....
Average of the whole U.S.A. ....	9.7	37.3	53.0	48.6	30.1	49.5	50.5

\* Gasoline tax was not available for roads for the year 1925. It was available in the year 1926.

TABLE XXV.

## Government Aid to Public Welfare and Charities.

		Per capita.
Minnesota .....	\$4,608,650	\$1.77
North Dakota .....	1,078,424	1.07
Wisconsin .....	5,668,578	2.00
Michigan .....	8,031,069	1.87
Colorado .....	1,614,691	1.55
Utah .....	390,229	.77
British Columbia .....	3,547,221	6.76
Alberta .....	1,534,563	2.54
Saskatchewan .....	1,600,897	1.98
Manitoba .....	1,822,530	2.88
Ontario .....	8,498,765	3.01
Quebec .....	2,425,242	.87

Table XXV is a Table showing the expenditure of the same group of Government Aid to Public Welfare and Charities with total and per capita expenditures. Here it will be seen that the figures for the United States are, on the average much lower than in the Canadian Provinces, due, of course, to the fact that the major responsibility for such matters rests in the States with the Municipalities. Among the Provinces it will be seen that British Columbia comes first, Ontario second, Manitoba third, Alberta fourth, Saskatchewan fifth and Ontario sixth.

As pointed out in a previous discussion, all these figures for expenditures are higher in British Columbia than in the other

Canadian Provinces, due partially at least to the fact that British Columbia is not so highly municipalized.

TABLE XXVI.

Total and Per Capita Cost of Administration of Justice to Provinces and States.

		Per capita.
Minnesota .....	\$1,637,273	\$ .63
North Dakota .....	544,212	.85
Wisconsin .....	1,305,836	.46
Michigan .....	3,117,349	.73
Colorado .....	840,135	.81
Utah .....	309,623	.61
British Columbia .....	859,185	1.64
Alberta .....	1,043,611	1.73
Saskatchewan .....	1,094,656	1.35
Manitoba .....	541,034	.85
Ontario .....	1,847,649	.65
Quebec .....	1,965,683	.70

In this Table will be seen again, as in the previous Tables of this group, the total cost of the Administration of Justice along with the per capita cost. It is quite apparent that in all the States of the Union and the three older Provinces of Canada (Manitoba, Ontario and Quebec) the cost of administration of justice is much lower than in British Columbia, Alberta and Saskatchewan. This is due almost entirely to the fact that in the three Provinces mentioned, the Courts and the responsibilities accompanying the Courts, including police and places of detention and correction, are supported entirely by the Government, while in the older States and Provinces quite a large share of the burden is borne by the Counties.

In this Table, Alberta has the highest expenditure of any Province, British Columbia comes second, Saskatchewan third; the others being much smaller.

Attention is again called to the fact referred to in the second paragraph of this section, namely, that different practises in different Provinces make an accurate comparison difficult. In Saskatchewan the difference in the method of handling the work of Sheriffs and Police Magistrates alone affects the per capita costs of administration of justice by at least 15c.

TABLE XXVII.

Analysis of the Distribution of the Total Per Capita Revenue in Various Provinces and States in Relation to Various Items of Public Service.

	Grants to schools.	Aid to Highways.	Aid to Public Welfare and Charities.	Administration of Justice.	Total per capita.
Minnesota .....	\$3.73	\$5.93	\$1.77	\$.63	\$12.06
North Dakota .....	2.58	2.43	1.07	.85	6.93
Wisconsin .....	1.85	3.71	2.00	.46	8.02
Michigan .....	3.68	4.51	1.87	.73	10.79
Colorado .....	.81	5.28	1.55	.81	8.45
Utah .....	7.24	4.31	.77	.61	12.93
British Columbia .....	4.17	4.65	6.76	1.64	17.22
Alberta .....	1.92	.84	2.54	1.73	7.03
Saskatchewan .....	2.46	1.41	1.98	1.35	7.20
Manitoba .....	1.88	.46	2.88	.85	6.07
Ontario .....	1.41	1.17	3.01	.65	6.24
Quebec .....	.53	1.49	.87	.70	3.59





Table XXVII brings together the per capita revenue of all these items in the twelve Governments in order to be able to compare the total support given by the Provincial and State Governments to Municipal Governments. It will be observed that in this Table, British Columbia comes first for the reasons above stated; Utah comes second, Minnesota third, and Michigan fourth, but in the other Provinces of Canada the order is, Saskatchewan first, Alberta second, Ontario third, Manitoba fourth, and Quebec fifth. It would, therefore, appear, taking the sum total of grants from revenue account made to all these causes by the Provincial authorities in the Provinces of Canada, omitting British Columbia because of the peculiar circumstances of that Province, that Saskatchewan and Alberta rank first in that order, being approximately the same. When, however, in connection with Table XVII the capital expenditures on highways are taken into account, viz., \$2.57 per capita for Alberta, \$0.96 for Saskatchewan, and \$1.26 for Manitoba, Alberta comes first with a total expenditure of \$9.60, Saskatchewan comes second with \$8.16, and Manitoba third with \$7.33. This would seem to indicate that the sum total of the support given to Municipalities by the Government of Alberta is proportionate to the total revenue of the Province.

Referring back to a previous Table, it will be seen that the per capita raised from taxation (omitting motor vehicles) is \$7.04. It is apparent, therefore, in connection with the four services set out in these Tables, Alberta is contributing every dollar so received. The only revenue remaining for carrying on the other affairs of the Government is the revenue received from sources other than those mentioned.

TABLE XXVIII.

Total State and Provincial Support to Education, including Grants to Schools.

State or Province.	Local Grants.	Support to Institutions.	Total.	Per capita.
Minnesota .....	\$ 9,754,561	\$ 6,593,306	\$16,347,867	\$6.25
North Dakota .....	1,654,799	2,079,727	3,734,526	5.82
Wisconsin .....	5,277,906	7,648,529	12,926,435	4.54
Michigan .....	15,773,928	9,942,921	25,716,849	6.05
Colorado .....	842,897	3,499,454	4,342,351	4.17
Utah .....	3,649,503	1,260,501	4,910,004	9.74
British Columbia ....	2,188,492	1,008,596	3,197,088	6.09
Alberta .....	1,158,474	1,005,299	2,163,773	3.57
Saskatchewan .....	1,985,475	1,058,534	3,044,009	3.77
Manitoba .....	1,193,646	901,594	2,095,240	3.31
Ontario .....	3,975,828	5,164,843	9,140,671	3.23
Quebec .....	1,482,823	1,433,682	2,916,505	1.05

Table XXVIII is added for the purpose of showing the total and per capita support to Education given by the same group of Governments. Among the Canadian Provinces it will be seen that British Columbia stands first again, Saskatchewan second, Alberta third; the other Provinces (Manitoba, Ontario and Quebec) are considerably lower. This Table would seem to indicate that in the States of the Union generally, a larger State support is given to Education, as a whole, than in the Provinces of Canada. This is largely due to the much greater support given by State Governments to their State universities.

TABLE XXIX.

Total and Per Capita Government Grants to Higher Education  
for Current Expenses.

State or Province.	Population.	Govt. Grants.	Per capita.
Minnesota .....	*2,572,000	\$3,875,497	\$1.50
North Dakota .....	461,000	1,634,526	2.55
Wisconsin .....	2,809,000	3,001,880	1.08
Michigan .....	4,177,000	4,588,648	1.10
Colorado .....	1,023,600	1,521,906	1.48
Utah .....	494,000	826,164	1.67
Montana .....	651,000	978,843	1.41
South Dakota .....	674,000	1,174,490	1.75
Ontario .....	2,825,246	2,272,179	.80
Manitoba .....	633,268	†475,000	.75
Saskatchewan .....	808,336	536,616	.66
Alberta .....	603,758	‡405,000	.67
British Columbia .....	524,692	499,468	.95

\*U.S.A. figures are for 1924 and Canadian figures for 1925. For the year 1926-27 Canadian figures have been slightly increased.

†In addition Manitoba receives approximately \$90,000 for land endowment.

‡This does not include \$34,000 voted for public health laboratories conducted by the University of Alberta.

TABLE XXIXa.

Total Higher Educational Statistics for United States and Canada.

	Total Govt. Grants.	Per capita.	Total Assets.	Per capita.	Total Income.	Per capita.
U.S.A. ....	\$82,431,060	\$ .72	\$1,869,647,873	\$16.50	\$341,575,910	\$3.00
Canada .....	4,308,849	.46	79,895,986	8.90	9,619,503	1.03

These figures speak for themselves. If you desire a reason for the growing economic supremacy of the U.S.A., you have it here in these figures.

The foregoing would appear to dispose of the general problem raised under question 1 in this section.

Now with regard to the second question, namely, "Is any one section of the Public being treated unfairly with respect to taxation in comparison with another section?" This is not so easy to answer, as so many factors are involved. To begin with, the statistical data is not available with regard to either the ability to pay taxes, or with regard to the benefits which are derived in separate sections of the community. The best that can be said is that, broadly speaking, the system under which taxes are levied in the Province is in the main the one recognized in most modern communities on this continent.

The fact is that both the Provincial and Local authorities have been suffering in Alberta from a condition of affairs inherited from the boom days before the war, the result being that the present taxpayers have had to shoulder a very heavy burden during the years of readjustment. It may be said, with confidence, that the burden which the Cities and Municipalities have had to bear is really not greater than the burden which the Provincial and Dominion governments have had to bear. It is respectfully suggested that the foregoing statistics show that neither in our Municipalities, Cities, Provincial nor Federal governments have we been, or are we now, in a worse position than the corresponding public authorities in other countries.

The following facts will throw some light on the questions raised as to whether the urban municipalities have been unfairly treated with regard to Provincial taxation.







Taking first the Supplementary Revenue. In 1926 there was collected as Supplementary Revenue the sum of.....		\$1,010,408.00
Of this amount the rural taxpayers contributed.....		824,696.00
and the urban taxpayers contributed .....		185,712.00
Putting this on a per capita basis the rural population paid, per capita .....		2.20
and the urban population per capita paid.....		.80

On the other hand the Government expended on market and local roads during that year in the rural districts, \$490,719.00, being a per capita expenditure, in the rural area, of \$1.31. Taking the \$1.31 returned in this way to the rural areas from the \$2.20 per capita paid in taxes to the Provincial Government, it leaves a balance of 89c available for the purposes of general Government as against 80c per capita paid by the urban population, a difference so small when the circumstances are considered as to make any charge of discrimination untenable.

It has been pointed out that as the actual assessed value of the property in rural areas greatly exceeds the assessed value of urban property that a larger share of the Supplementary Revenue should be raised from the rural population. In the year 1926 the rural areas were assessed at \$412,349,740.00, and the urban areas (for Provincial purposes) at \$92,856,300.00. Judged on the basis of assessment only it would appear that the rural population, having a larger assessment, should pay more heavily than the urban population. Assessment figures, however, are subject to three very serious limitations considered as a criterion of taxpaying power.

In the first place, the principles of assessment are entirely different in the two types of communities. In rural areas the assessment for Provincial purposes has heretofore been on land values only. In the country almost the total wealth is in the land values; while in the Cities and Towns the greater portion of the wealth is in the improvements. In the Cities particularly large and expensive buildings representing considerable capital investment are built upon small parcels of land, the buildings being of much more value than the lands upon which they are erected. So far as the Supplementary Revenue is concerned, therefore, in the rural districts the taxes are assessed upon the investment in land from which the total production of the owner is derived; while in the Cities and Towns the major investment from which earnings are made does not come under the Provincial taxing scheme.

In the second place, before a final judgment could be formed as to the actual wealth of any two communities mortgages against property, and other incumbrances, would have to be taken into consideration, and the net assets only be considered. This is the real reason why in most countries there is a definite movement away from taxing the general property for State purposes to an Income tax because the Income tax is considered to more truly measure the ability to pay taxes.

In the third place, it is generally recognized that the rural population have no power to pass their taxes on to some other part of the population. Their products are sold mainly in the markets of the world; while a considerable portion at least in the urban

population, because of the nature of the business, are able to reckon taxes as part of the current cost of running their business, thus passing at least a share of the taxes on to the consumer.

We are of the opinion that these facts make it exceedingly difficult to find any basis under our present system of taxation in a community like ours for determining the justice of a taxation scheme, other than upon a per capita basis. Unless the Income Tax is resorted to, as is now the case in most European countries, the assessment of land and improvements in both rural and urban centres is the only fair basis.

It remains now to consider whether in the distribution of grants to public welfare and charities, highways and schools, the urban population have been discriminated against in any way in favour of the rural population, and if so whether there is a possible remedy for such discrimination.

### **(1) Public Health.**

With regard to contributions for public health; the main contribution made in this connection is for the support of hospitals. In this case at least all parts of the community are treated alike, as the 50c per patient day is available for all approved hospitals urban or rural. Viewed from a per capita point of view there is no question but that the major portion of the grants made for hospital purposes goes to the urban communities, as it is in these communities that the large and expensive hospitals are to be found. On the other hand, there is no doubt but that the rural population is greatly benefited by the existence of these institutions in the larger centres of population. If the recommendations later made in this report are carried out, it is believed that every reasonable ground of grievance with regard to the City hospitals and the rural population will be removed.

### **(2) Public Welfare Institutions.**

So far as the public welfare institutions of the Province are concerned, Mental Hospitals, T.B. Hospitals, etc., the whole population is treated on a common basis. Here the rural may have some advantage over the urban population since there is the tendency for the sick and the indigent to acquire residence in the larger centres. However, recent legislation enacted in this Province has in some measure removed this apparent injustice. It is believed that, if the plan for a public revenue tax to cover such items is accepted, the last ground of complaint with respect to this item will be removed.

### **(3) Highways.**

With regard to highways: as has been pointed out in a preceding paragraph, the financial assistance given by the Government for the building of district highways constitutes merely a return of a portion of the taxes imposed upon the municipalities to assist them in the building of the roads, and approximately the return is that portion of the taxes in which the rural taxes exceed, per capita, the urban taxes, so that as far as the support of district highways is concerned no claim of injustice can be laid.





With regard to the main highways, these highways in Alberta are built entirely at the expense of the Province, towards which certain Federal aid is received. Of these roads there are in existence approximately 2,600 miles at present, which are either completed, or will be completed, within a reasonable time.

Representations were made by some of the Cities that as part of the Provincial Government policy of improving highways a definite contribution should be made to the Cities towards cost of maintaining the main thoroughfares connecting with the Provincial trunk roads; while the City of Lethbridge urged that the Cities be granted a portion of the Dominion Government's highway grant. As has been already pointed out the Cities have no claim as against the support given by the Government to district highways because in this instance the Government is merely returning to the rural municipalities a portion of the moneys collected from them. As the main highways, however, are being built at the expense of the Province as a whole, with certain support from the Federal Government, the question may very well be asked whether the Cities should not receive some share of the benefit of such a highway scheme.

To find an answer to this question, let us look for a moment at the purposes which the Government has sought to serve in the building of the main highways of the Province. The regulations for Federal aid specifically state "the highways to be aided under the Act shall comprise such main and market roads as have been designated by the Province as hereinafter provided with a view to encouraging production and stimulating trade and commerce and as shall be approved by the Minister." (The Minister of Railways and Canals of the Dominion of Canada.) From this it will be seen that the main purpose of the whole Provincial highway scheme is to provide suitable and easy means of transportation from the country districts to the marketing centres.

In so far as the tourist traffic is concerned, the benefits accrue almost entirely to the large Cities. An estimate has been made by the Department of Highways at Ottawa that last year \$150,000,000.00 was spent by tourists visiting the Dominion of Canada. The contact of such traffic with the Cities is only made possible by means of the main highways for which the Provincial Government, with Federal aid, has been responsible. There can be no doubt but that the trading centres of the Provinces, and especially the Cities receive the major part of the benefit derived from this traffic.

When the foregoing are taken into consideration, namely, opening of highways to provide better market facilities and the benefits from tourist traffic made possible by the Provincial system, it appears to your Commission that the recent action of the Department of Public Works of the Province in providing assistance for building main highways through the Towns and Villages along the line of the main highways reasonably meets the demands of the Towns and Villages: while if the recommendations made later in this report are put into effect, namely, that assistance be given to the Cities to connect the main highways with the City pavements, we feel that every just claim will have been met.



#### (4) Grants to Schools.

There remains yet to be considered the question of grants to schools as between the urban and rural areas.

With regard to the general situation, it may be pointed out that during the last 30 years there has been a world-wide expansion of expenditures on education both by means of state subventions and through local taxation. The general trend of events, however, has been to throw the responsibility for education more largely upon local authorities, the state assistance being given with a view to bringing up the standard of education generally. It has come to be realized that while the providing of educational opportunities to the children of the state is a local obligation, it is also a state responsibility because of the significance of education to the social and industrial life of the country.

In almost all the States of the Union where the amount proposed to be raised in local school districts is not sufficient to give a school of standard quality, county and state subventions are used for that purpose. In the United States schools are helped by the State Governments in a great variety of ways. Forty-five of the forty-eight States of the Union are making special grants for the purpose of equalizing educational opportunities over the whole State. More and more the tendency is, therefore, to use Government subventions for the purpose of equalizing educational opportunities.

Twenty-seven of the States of the Union grant special aid to high schools, eight States give special assistance to county high schools; while eighteen States give assistance towards the tuition of non-resident pupils. On the other hand, in a number of States supervision of schools is provided very largely at the expense of the county Government.

The plan in operation in the Province of Alberta corresponds somewhat to the general American method, namely, special equalization grants from the Province for poor districts in addition to ordinary school grants. There being no county organization in the Province, no special grants are available from that source; neither are our municipalities by a general system of taxation making any contributions in that direction. It would appear that, considering the amount of money given to education, no general complaint can be made about the basis of distribution as the method is uniform, the amount of assistance varying somewhat with the density of the population. The main criticism is in connection with the assistance granted to high schools, and the fact that the Town and City high schools, to a considerable extent, have to bear the cost of high school education for the non-resident pupil.

Statistics covering seventeen States of the Union, published by the Bureau of Education of the Federal Government, Washington, show that the cost of secondary education is approximately double that of elementary education, taking the average of elementary education for all the year from grades I to VIII, and for high school education, the average of the four years from grades IX to XII.

In the Province of Alberta the assistance given by the Government to the high schools per room is approximately four times that







given to elementary education, *e.g.*, in a small district the elementary schools receive 90c a day per room, and \$3.00 a day for secondary education, while in a City like Medicine Hat 70c a day is given for elementary schools, and \$2.50 for high schools. In the Cities of Edmonton and Calgary 50c a day is given for public schools, and \$2.50 a day for high schools.

Your Commission is of the opinion that the special subventions granted for high school education, all things being considered, is a fair proportion to that granted to elementary education.

Your Commission is also of the opinion that, if the recommendations made in the latter portion of this Report concerning this matter are carried out, all reasonable cause for complaint as between the country districts and the urban areas will be removed. We are further of the opinion that until more money can be made available for grants to schools generally the amounts granted to secondary education, supplemented by what is proposed in the recommendations, is all that could be expected under the circumstances. The question of education, however, is of such paramount importance to the Province as a whole and is so involved with the final organization of the political units of the Province that the whole matter of support of education should be further studied in connection with the possible creation of larger municipal units within the Province.

#### (A) DISTRIBUTION OF SPECIAL REVENUES.

As many representations were made to the Commission, especially regarding a possible distribution of Motor Vehicle licenses, Gasoline tax, Amusement tax, and the profits on the sale of liquor, it seems fitting that in addition to the foregoing discussion of the whole matter that special reference should be made to these items.

In the first place, the question of distributing an individual tax in our opinion is not an important consideration. The main point is whether the sum total given to local authorities is reasonable. Under most Governments in the British system, so far as we are aware, the tradition is away from marking special funds for special purposes as leading to inflexibility in the handling of revenue. In certain States of the Union the disposition is in the opposite direction, namely, certain taxes raised by specific mill rates are designated for special uses, and cannot be put, under their constitution, to any other use.

Generally speaking, in the United States income from Motor Vehicle license and Gasoline tax are apportioned for the purpose of bearing part of the current and capital expenditure for the development of highways. So far as we are aware in no State has the question been raised as to the right of the State Government to collect taxes on any of these items for State purposes.

Of the four taxes mentioned the only one for which any claim, in our judgment, could be made on the part of Local authorities for distribution is the Amusement Tax; the other three being of so general a character, and the necessity for general regulations being so clear, that no authority but the central authority could satisfactorily administer them. The special claim made for the Amusement Tax

has probably more force than in the other cases, but here again, as the Local authority has the right to tax the real property and the business, as it has in the case of all other businesses, it is not clear to the Commission that there is any ground of complaint on the part of the municipality if the Government, in the interest of the Province generally, should impose an additional tax so long as it does not interfere with the general right of taxation of the municipality. The tax in any case is a luxury tax. Since, therefore, in the opinion of the Commission, if the recommendations made hereafter are carried out, the distribution of funds now available to the municipalities generally is on an equitable basis, and having regard to the increasing demands being made upon the Government for public services, we do not see how the Province can forego any of its present revenue until at least such time as a substantial readjustment of taxing power can be made between the Province and the Dominion.

### (B) RAILWAYS, IRRIGATION AND OTHER SPECIAL EXPENDITURES.

#### (a) Railways.

As the question of the position of the Provincial railways in our Province is intimately involved with the question of taxation, it seems fitting that we should here set out the financial position of the various Government owned railways, with a statement as to the cost of their operation to the taxpayers of the Province. The following statement shows the investment, the present liabilities, the accumulated and defaulted interest which has been charged to capital, and the amounts paid out of general revenue by the taxpayers of the Province over a period of years up to December 31st, 1926, to pay interest on advances made to railways.

INVESTMENT.				
	E.D. & B.C. Cent. Canada Pemb. Valley Railways.	A. & G.W. Railway.	L. & N.W. Railway.	Total.
Railway .....	\$15,798,294	\$10,315,972	\$ 2,227,997	\$28,342,263
Equipment .....	586,425	479,487	107,047	1,172,959
Miscellaneous Physical property....	23,991	83,760	18,087	125,838
	\$16,408,710	\$10,879,219	\$ 2,353,131	\$29,641,060
LIABILITIES.				
Guaranteed bonds .....	\$ 9,420,000	\$ 7,400,000	\$ 273,700	\$17,093,700
Advances by the Prov. out of capital acct. for construction, etc., including Royal Bank claim .....	7,740,733	3,497,255	1,857,341	13,095,329
	\$17,160,733	\$10,897,255	\$ 2,131,041	\$30,189,029
Defaulted Int. ....	2,594,116	2,445,833	155,040	5,194,989
	\$19,754,849	\$13,343,088	\$ 2,286,081	\$35,384,018
Int. on loans and defaulted Int. paid out of ordinary income ....	2,572,945	1,523,007	535,325	4,631,277
Total.....	\$22,327,794	\$14,866,095	\$ 2,821,406	\$40,015,295





It will be observed that the actual cash invested on road and equipment is ..... \$29,641,060.00

Against that amount the total outstanding liabilities aggregate ..... \$40,015,295.00

These liabilities may be summarized as follows:

(a) Guaranteed bonds held by the public .....	\$17,093,700.00
(b) Direct advances out of Provincial capital funds:	
For construction, etc. ....	\$13,095,329.00
For defaulted interest on guaranteed bonds .....	5,194,989.00
	18,290,318.00
(c) Interest on advances under (b) .....	4,631,277.00
Total .....	\$40,015,295.00

To summarize, the loss to December 31st, 1926, consists of:

Defaulted interest on guaranteed bonds .....	\$ 5,194,989.00
Interest on loans and defaulted interest paid out of ordinary revenues .....	4,631,277.00
Operating losses and shrinkage in assets .....	547,969.00
	\$10,374,235.00

being the difference between the total investment and the total liabilities.

Capital borrowings by the Province on behalf of the railways at the end of the year 1926 amounted to \$18,290,318.00, as shown in paragraph (b) above. At 5½% interest this involves a direct annual obligation against taxes, or other sources of revenue, of over \$1,000,000.00 per annum. Interest obligations are steadily increasing and must be provided for either by borrowings on capital account or by meeting the obligations out of ordinary revenue. Interest on guaranteed bonds is at present paid by issuing direct provincial debentures; subsequent interest on such debentures being then met by ordinary revenues. It will be seen, however, that the public debt of the Province is being rapidly increased by borrowings for railway purposes making serious inroads on funds which would otherwise be available for other activities.

The Commission wish to emphasize further the fact that interest obligations on guaranteed bonds involves the Province annually in an amount of \$750,000.00 which cannot be avoided and must be provided for under the terms of railway guarantees. Whether this amount should be provided for out of general taxation, thus imposing a heavy additional annual burden on the taxpayers, or capitalized, as has been the practice in the past, is a matter of public policy to be decided on its merits.

As further sums must be borrowed for construction or extensions the public debt of the Province is pyramiding at the rate of approximately 1½ million dollars per annum, involving an additional interest charge annually of approximately \$75,000.00, in addition to the present interest charge of \$1,000,000.00 mentioned above.



**(b) Irrigation and Drainage, Seed Grain and Relief.**

In connection with this item there is an outstanding obligation of approximately \$12,000,000.00 in which the responsibility of the Government is involved. In the year 1925 the net interest charges paid out of general taxation for this purpose was 37c per capita. Until these problems are finally dealt with this annual interest charge will tend to increase, and it is impossible at this date to estimate the ultimate responsibility to the Province.

**(C) PROVISION FOR SINKING FUND.**

Much has been said and written of recent years with regard to the significance and meaning of Sinking Funds for the purpose of retiring debts contracted in connection with capital expenditures by public authorities. Elaborate schemes have been suggested by means of which this may be accomplished. Generally speaking, such proposals receive popular assent in proportion as they seem to suggest the possibility of saving money, or of having the obligations met without conscious action on the part of the taxpayer. Speaking broadly, the only kind of Sinking Fund of any value is a Sinking Fund which results from an annual surplus of revenue over expenditure, sufficient to care for the amortization of obligations over a fixed period of time. To accomplish this successfully and continuously the surplus should result from the collection of normal revenues, where, if normal expenditures have taken place, a sufficient balance is left to meet Sinking Fund purposes. This statement applies both to expenditures in relation to public works, where there is no income return, and to public utilities, where the income is based on charges. In the former case the obligations must be met by taxation; in the latter case by rates being fixed so as to meet the obligations of running expenses and Sinking Fund.

There are three possible ways in which adequate Sinking Funds might be established:

1. By fixing a definite period of time during which an obligation is to be paid, and then by levying a special tax to meet the amortization payments, there being a legal requirement that money so raised should not be used for any other purpose.

2. The second way would be to levy a tax to cover the amortization payment in the general rate of taxation. This if worked successfully implies at least a portion of the tax levied should be flexible enough and sufficiently under the control of public authority to make sure that the money for each annual payment is forthcoming. The difficulty of this method is that under pressure of circumstances Finance Ministers sometimes deem it necessary to use Sinking Fund moneys for other purposes in order to avoid additional taxation.

3. The third method would be to have a definite source of income, apart from moneys used for normal revenue, available for that purpose, and that purpose only.

In some European countries the principle has been established, especially in connection with long term land mortgage systems, that a Sinking Fund should be established in association with each obligation on such a basis that the payment of the obligation is









completed during the lifetime of the generation by whom the obligation was undertaken. Under present conditions this would imply that Sinking Fund arrangements should be based on a period between 45 and 55 years, requiring approximately  $\frac{1}{2}$  to  $\frac{3}{4}$  of 1% to be set aside annually for that purpose. It is respectfully suggested that this is a perfectly sound basis for a Sinking Fund, excepting as it applies to very non-permanent public works, such as roads, etc. On the other hand, many structures erected by public authorities and for which debt obligations are undertaken will last for many generations, and there seems to be no reason why the payment for them should not be spread over a corresponding length of time.

In the Province of Alberta, assuming the natural resources are returned to the Province, there are two sources of revenue that relate themselves to the capital wealth of the country from which income for Sinking Fund purposes might be derived—these are public lands and the inheritance tax, the latter being really taken from the capital resources of the country as distinguished from current income.

Looking, therefore, at the causes for which public debts are contracted as a whole, it would appear that a Sinking Fund based upon  $\frac{1}{2}$  to  $\frac{3}{4}$  of 1%, if carried out systematically, and under conditions which made the use of Sinking Funds for other purposes impossible, would be a perfectly sound arrangement satisfactory to the lending public, and sufficient to keep the credit of the Province high, providing it was taken systematically out of current sources of income and not built up by borrowing other moneys for the purpose.

#### (D) SYSTEMS OF LOCAL GOVERNMENT.

Local Government in Alberta consists of Cities, Towns, Villages, Municipal Districts and Improvement Districts, with School and Municipal Hospital Boards operating separately. The Cities are governed by private charters, while the other forms of municipal organizations are governed by Public Acts. A similar situation prevails in British Columbia, Saskatchewan and Manitoba, with the exception that in Manitoba greater responsibility devolves upon the municipal organizations. Here, they are required to levy for a portion of the expenses associated with the administration of justice, charities, etc. The municipalities of Manitoba more nearly approach in their responsibilities those assumed by the counties in the older Provinces.

Omitting for the moment the School and Municipal Hospital Districts, in all these Provinces the Village forms the smallest unit of urban organization, and the Municipal District the smallest administrative unit of rural organization.

In the older Provinces of Canada, and in the States of the Union, generally, the scheme of Cities, Towns and Villages exists with similar responsibility to those in the Provinces of Western Canada. The township in these cases forms the smallest unit of rural organization. In such Provinces and States a county organization involving a group of the smaller Municipal units functions

for certain specific responsibilities between Provincial and State Governments and the township. This organization of the county unit is the distinctive difference between the Provinces of Western Canada and the Provinces of Eastern Canada and the States mentioned. The advantage of the county system involving a group of the smaller units over the Municipal District system in existence in Western Canada is that it offers a larger political unit for the purpose of equalizing taxation with regard to certain general public services, such as the construction and maintenance of roads, care of indigents, standardization of schools, etc., thus co-ordinating the administration of these services in large representative areas as compared with the decentralized system in vogue in Western Canada.

The question, therefore, to be decided is whether the Province of Alberta has reached that stage of development where it would be wise to adopt a county system, each county involving a group of municipalities, thus coming into line with the universal practice in English-speaking countries.

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## VII.—RECOMMENDATIONS.

Your Commission beg leave to make the following recommendations with regard to the items mentioned in the commitment:

### A.—THE EQUALIZATION OF THE BURDEN OF TAXATION.

This item has been considered with regard to the two following questions:

- (1) Is the Provincial Government collecting taxes for Provincial uses which might be considered as belonging specifically to the municipalities?
- (2) Is any one section of the public being treated unfairly with respect to taxation in comparison with another section?

The discussion in the preceding sections will have indicated the general attitude of the Commission with respect to these two questions.

#### **It is Recommended:**

1. That provision be made for the creation of an Appeal Board to deal with assessments in lieu of the present arrangement of hearing appeals by District Court Judges.

2. Under this head there were other suggestions made in the representations to the Commission, but they do not seem of sufficient significance to warrant any action being taken.

Further recommendations covering this item jointly with other items of the commitment will be found under subsequent headings.

### B.—IMPROVED METHODS OF COLLECTING REVENUE.

#### **It is Recommended:**

1. That the Municipal District be constituted the one and only agency for levying and collecting taxes within the district.

2. That the amount to be levied for Municipal District purposes be determined by the Municipal Council according to the statutory requirements of the Municipal Districts and other Acts.

3. (a) That until such time as a county system is adopted every Municipal and Improvement District be required to levy a special educational tax upon all assessable property within the Municipal or Improvement District sufficient to guarantee to each school district a minimum sum to be fixed by statute.

(b) Each school district to estimate the additional amount of levy to be imposed upon the lands within the school district necessary to meet the current requirements, having regard to the income derived from the special levy.

(c) That the amount estimated by each school district shall be levied upon the lands within that school district in addition to the amount raised by the general levy.

(d) That the statutory provision for school grants, and for the special grants for poor districts, be continued.

4. That the Council of each Municipal District shall, in assessing for municipal purposes on the said school districts, add thereto the amounts required for school purposes, and shall collect the same and pay over in installments as provided in the Municipal Districts Act.

5. That this be made mandatory by Legislation upon Municipal and School Districts.

**C.—METHODS OF COLLECTING REVENUE FROM THE NATURAL RESOURCES OF THE PROVINCE, HAVING REGARD TO THEIR POSSIBLE TRANSFER TO THE PROVINCE, PAYING PARTICULAR ATTENTION TO THE TAXATION OF MINERAL RESOURCES BY PROVINCIAL AND MUNICIPAL AUTHORITIES.**

**It is Recommended:**

1. That the taxation of natural resources should be exclusively for Provincial purposes and based, if possible, on output as far as coal, gas, oil and minerals are concerned.

2. That in the case of the natural resources being returned to the Province that all lands should be classified and sold to bona fide settlers on long term payments.

3. That in the case of productive oil, coal, gas and other mineral areas, the right to tax land and improvements within the municipality, be retained by the municipality, but that the value of all mineral products based on production should be taxed for Provincial purposes exclusively.

4. That in future all mineral titles forfeited for non-payment of taxes be vested in the name of the Crown in the right of the Province, whether such mineral titles are held separately or held with surface rights.

5. That in the case of persons dying intestate, without near relatives, the University be made residual heir, as in the case of escheats.

**D.—THE EXTENT TO WHICH ANY TAX MAY BE REDUCED OR MODIFIED, OR ONE FORM OF TAXATION SUBSTITUTED FOR ANOTHER, HAVING PARTICULAR REGARD TO THE SUPPLEMENTARY REVENUE TAX AND THE WILD LANDS TAX.**

**It is Recommended:**

1. That the Supplementary Revenue Tax Act be repealed and that a Public Revenue Act be passed for the purpose of raising sufficient revenue by a scheme of general taxation to care for Mothers' Allowance, indigent T.B. cases, indigent incurables, transient indigent persons requiring relief, medical attention or hospitalization, and special assistance to education.

The amount payable by each municipality to the Province under the Provincial Revenue Act shall be—

- (a) A sum fixed by the Minister of Municipal Affairs based upon the equalized assessment of each municipality;
- (b) The amount so determined shall be raised under the general system of taxation in the municipality, and shall be payable in cash to the Province.

2. That the tax to be levied under the proposed Provincial Revenue Act shall be levied on the combined assessed value of land





and improvements in both urban and rural municipalities; buildings and improvements to be assessed at two-thirds of their fair actual value.

3. That the Wild Lands tax be continued in its present form.
4. That the Amusement tax be continued in its present form.
5. That the Unearned Increment tax be continued in its present form.

6. That authority be given to municipalities to impose a Poll Tax upon all persons in the municipalities not otherwise taxed.

7. That instead of the tax of \$50.00 per elevator, and the capital tax of 40c per \$1,000.00 on authorized capital, the method followed in Minnesota and Wisconsin be adopted in regard to the taxation of Grain Companies, namely, that one-half of a mill per bushel be levied on wheat and flax, and one-quarter of a mill per bushel on all other grains passing through elevators, provided this can be done without materially increasing the handling charges of grain.

8. That the Motor Vehicle License be continued in its present form, but that in the case of trucks used for mercantile purposes a special license fee be imposed.

9. That in view of the enormous cost of construction and maintenance of highways the gasoline tax be raised from 3c to 5c per gallon.

10. That an Income Tax is a legitimate tax for Provincial purposes and is preferable to a Personal Property Tax, and as such a tax is more equitably raised through the Dominion authority, due to the ramifications of modern finance, that the Dominion Government be asked either to make provision for distributing some portion of the tax raised from this source to the Province, or to levy for the Province a special item of Income Tax for Provincial purposes as may be arranged between the two Governments.

11. That the method of taxation of public corporations, so far as municipalities are concerned, be maintained as at present, namely, the assessment of land and improvements within the municipality; but that for Provincial purposes the tax should either be upon gross earnings, as is done in the States of the Union, or by an ad valorem assessment.

12. (a) That the Corporations Taxation Act and the Foreign Companies Ordinance be amended to conform with municipal statutes empowering municipalities to license hawkers and peddlers for regulatory purposes only, and that the Provincial Tax upon such persons be increased from \$25.00 to \$50.00.

- (b) That, if necessary, Section 32 of The Corporations Taxation Act, and Section 15 of The Foreign Companies Ordinance be amended to empower municipalities to license agents of Companies selling goods direct to the consumer or canvassing for goods to be afterwards delivered to the consumer.

13. That the Restaurant License for Provincial purposes be continued in its present form since a recent judgment of the Privy Council makes it impossible for the Provincial Government to



exercise control over the internal management of restaurants, excepting by their power to grant and withhold licenses.

14. That, subject to the terms of existing contracts, in the case of railway properties the right of municipal authorities to assess land and improvements owned by railway companies should be maintained; but that the right of taxation of the road bed should lie with the Province only; that in case of roads running through municipalities subject to taxation by municipalities the amount of permitted assessment should be deducted from the amount of the assessment made for Provincial purposes. It is further recommended that the method of taxation should be on either an ad valorem basis, or on a percentage of gross earnings in the Province.

15. That where the City roads extend beyond the reasonable requirements for pavements, necessitating gravelled roads to connect with main Government highways, the Government in future assume one-half the cost of constructing such gravelled road.

**E.—THE DIVISION OF RESPONSIBILITY FOR REVENUE AND EXPENDITURE AS BETWEEN THE GOVERNMENT AND THE MUNICIPALITIES, URBAN AND RURAL, INCLUDING THE QUESTION OF MOTHERS' ALLOWANCE AND THE CARE OF INDIGENTS.**

**It is Recommended:**

1. It does not appear expedient to make grants for maintenance of Nursing Schools as it is generally conceded that the presence of Nursing Schools lessens the cost of hospital administration.

2. That if in the opinion of the Government it is unwise to amalgamate the Provincial Police with the Royal Canadian Mounted Police it is suggested, in the interests of economy, that consideration be given to the possibility of adding to the present duties of the Alberta Provincial Police those duties at present undertaken by the Insurance Branch, the Liquor Enforcement Branch, and the inspection work of the Neglected Children's Department.

3. That each municipal unit be empowered to include in its estimate of current expenditure an annual payment of \$50.00 for each pupil attending a High School either within or without the municipality; this amount to be paid in addition to the \$30.00 already provided to be paid by School Districts or parents. The same to apply to Improvement Districts.

4. That in the case of persons admitted to hospitals claiming residence in a municipality, such municipality shall be made responsible for payment of hospital bills, and the municipal authority shall have the right to collect where possible direct from the patient, or from the person legally responsible for the care of such patient, and that where the municipality can prove that the patient was an indigent and was not a resident of such municipality, the Government to assume the responsibility for that patient and payment be made out of the general fund for that purpose, to be raised under the proposed Public Revenue Act, unless it is determined that the patient is a resident of some other municipal unit.





5. With regard to the representations made concerning the adjustment of seed grain and other relief indebtedness, the Commission is informed that this is already being dealt with by the Government.

6. With regard to the representations made that the Government should cease imposing licenses in the Cities leaving the burden of inspection to be borne by the Cities, your Commission is of the opinion that, since the municipalities have the right to impose both a property and a business tax, they have no ground for claiming the imposition of additional burdens by the fact that the Provincial Government, in the interest of public safety, sees fit to impose a license fee to cover such responsibilities as they feel called upon to assume.

#### **F.—ADEQUACY OF SINKING FUND AND PROVISION FOR THE RETIRAL OF PROVINCIAL AND LOCAL FUNDED DEBTS.**

##### **It is Recommended:**

1. That if the recommendation made under commitment "C", paragraph 2, namely, "that in the case of the natural resources being returned to the Province that all lands should be classified and sold to bona fide settlers on long term payments", that such portion of the income therefrom as will meet the requirements of a Sinking Fund based on  $\frac{1}{2}$  to  $\frac{3}{4}$  of 1% be set aside for the public debt; and if the amount necessary for this purpose should not be forthcoming from this source that a sufficient amount should be taken from the Inheritance Tax to bring the total up to the necessary requirements; and if an income greater than the requirement for Sinking Fund be available from the sale of lands, that it should be applied for the purpose of strictly capital expenditures.

#### **G.—SYSTEMS OF LOCAL GOVERNMENTS EXISTING IN THE PROVINCE OF ALBERTA AND ELSEWHERE.**

As representations have been made that a county system be established in the Province of Alberta for certain specific purposes, and as there is involved in such a system the reorganization of some of the services of Government involving a change of financial responsibility, and as in this question the general future of a highly developed system of schools is involved,

##### **It is Recommended:**

1. That further study be given to this whole matter, especially from the point of view of its possible usefulness in the administration of certain public services and the better development of the school system of the Province.













Alberta. Advisory Committee on  
Taxation  
Report on taxation

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